

# *City of Gulfport* *Mississippi*

## *Comprehensive Annual Financial Report*



*Fiscal Year Ending September 30, 2003*



# CITY OF GULFPORT, MISSISSIPPI

Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2003



Submitted by the  
Department of Finance and Administration



# City of Gulfport, Mississippi

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# City of Gulfport, Mississippi

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# INTRODUCTORY SECTION

The Introductory Section is intended to familiarize the reader with the organizational structure of the city of Gulfport, Mississippi, the nature and scope of the services it provides and the specifics of its legal operating environment.







March 22, 2004

Honorable Mayor and City Council  
City of Gulfport  
Gulfport, MS 39501

The Comptroller's office is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Gulfport, Mississippi, prepared in accordance with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2003. These accompanying financial statements are prepared and presented in conformity with GASB Statement #34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (a dramatic change in governmental financial reporting). The new format, which includes Government-wide and Major Fund presentations, provides citizens, investors and creditors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the report is accurate in all material respects and is designed to present fairly the financial position and results of operations of the City for Fiscal Year ending September 30, 2003. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Annual Financial Report consists of four parts. **(I) The Introductory Section** includes this transmittal letter, the City's organizational chart, a list of principal City officials, the geographic location of the City, and the certificate of Achievement for Excellence in Financial Reporting awarded for the 2002 CAFR. **(II) The Financial Section** includes: Management's Discussion and Analysis, the basic financial statements (government-wide and fund statements), notes to the financial statements, other required supplementary information (RSI), and the combining and individual fund financial statements and schedules, as well as the independent auditor's report on the financial statement schedules. **(III) The Statistical Section** includes several tables of unaudited data describing the financial history of the City as well as other miscellaneous statistics, generally presented on a multi-year basis. **(IV) Other Financial Information** includes useful schedules and charts that are no longer required to be published as part of the basic financial statements along with schedules required by State statutes.

The City is a member of the Harrison County Wastewater and Solid Waste Management District, a joint venture with other local cities to provide adequate wastewater treatment and solid waste disposal services. The city is also involved in a joint venture with the Memorial Hospital at Gulfport, an acute health care center. A synopsis of the two joint ventures' financial statements for the fiscal year ended September 30, 2003, is included in Note 17 of the report.

### **The Reporting Entity and Services Provided**

Incorporated on July 28, 1898, Gulfport is located in South Mississippi in Harrison County. Gulfport is a code-charter municipality operating under a Mayor/Council form of government. The Mayor is full-time and the Council-members are part-time and elected by wards. The Mayor and Council serve concurrent four-year

terms. On July 1, 1997 the City added two additional members to the council as a result of a 1994 annexation bringing the total to seven.

In December 1993 the City annexed 33 square miles north of Gulfport becoming the second largest city in Mississippi with a land area of 62.37 square miles and a population in excess of 70,000. A full range of services are provided including: police and fire protection, water and sewer services, construction and maintenance of streets and infrastructure, planning and zoning, recreational and cultural services, and general administrative services.

## **Economic Conditions**

With about 6.7 miles of man-made white sandy beaches along the Gulf of Mexico, Gulfport enjoys being one of the fastest growing areas in the entire state. Home of the annual “Worlds Largest Fishing Rodeo,” Gulfport is a residential community that is blessed with a strong business center. The downtown area provides a strong professional center while the north central part of town provides a strong mercantile center.

Along beach drive are historic home sites with several motels scattered throughout to accommodate the golfing and water tourist that make up a large part of our economy. A large electric utility generating plant, shopping malls, along with several chain stores and restaurants provide for a continuing strong base that keeps our ad valorem tax rate one of the lowest on the Mississippi Gulf Coast.

Legalized dockside gaming brought the City two major casino operations, which created significant construction developments that have spilled over into the business and local community. Grand Casino’s opening of its five hundred-room hotel several years ago spurred several smaller chain motels opening on the City’s coastline. The Casino’s massive development contains a 14,000 square foot spa, salon and fitness center along with 3 acres of water recreation on the inland side of highway 90. Due to this rapidly growing industry, we have seen our tourism figures rise month after month. There is no doubt that the gaming industry continues to have a positive economic impact on the Mississippi Gulf Coast and the City of Gulfport.

To illustrate this growth, the following table represents the number of post gaming and annexation non-residential and residential building permits issued over the past 10 years.

Year	Non-Residential Permits Issued	Value	Residential Permits Issued	Value	Total Value Residential & Non-Residential
1994	83	18,112,577	247	44,476,477	62,589,034
1995	109	44,009,982	235	36,475,107	80,485,089
1996	114	48,344,467	229	29,197,221	77,541,688
1997	86	65,018,000	279	103,771,000	168,789,000
1998	127	136,862,454	302	30,724,941	167,587,395
1999	144	67,754,000	431	45,163,000	112,917,000
2000	100	37,518,632	471	83,867,868	121,386,500
2001	109	29,080,483	278	41,053,650	70,134,133
2002	30	39,723,000	320	29,475,000	69,198,000
2003	37	17,871,610	297	33,866,664	51,738,274

## Accomplishments

### Public Safety-Crime Prevention

Gulfport Police Department's fundamental goal is to provide a safe and secure community for all of its citizens and visitors. In an effort to reach this goal, partnerships have been formed with schools, businesses, and civic and religious organizations to achieve collaboration to enhance the quality of life and go beyond the scope of traditional policing programs.

The Public safety budget accounts for the largest portion of the City's General Fund making up \$26 million or 55% of the City's \$47 million adopted General Fund Budget for fiscal year ending September 30, 2003. Crime prevention will remain a top priority in city government until our residents feel safe in their homes and on the streets. The total number of full time sworn police officers is at 203 bringing the total number of residents per sworn officer to approximately 370. Through the efforts of the police department in school participation, Gulfport is the only city in the nation that has been certified with ten "Drug Free Schools."

In 2003, calls for service remained practically unchanged as compared to 2002 as indicated below:

Year	Murder	Rape	Robbery	Assault	Burglary	Larceny	Auto	Total
2002	11	48	164	2,731	1,167	3,859	468	8,447
2003	12	48	147	2,534	1,181	4,091	465	8,478
Change	+9%	0%	-10%	-7%	+1%	+6%	0%	0%

### Public Safety-Fire Protection

Gulfport continues to set the standard with regards to fire protection. Recognizing the sanctity of life and safety, the Gulfport Fire Department is dedicated to the protection of its citizens and visitors to our community. The City currently enjoys a class 4-fire rating. With a total of 12 fire stations strategically located throughout the city and 172 personnel, our firefighters can respond to emergencies within two to four minutes. Fire department personnel responded to 7,384 emergency calls, logged more than 28,404 man-hours of training, educated 10,104 elementary age children in fire safety, and conducted 1,869 inspections. The table below illustrates the changes in fire department response calls over the past year.

Year	Resident Fires	Commercial Fires	Wood Fires	Vehicle Fires	Other Calls	False Alarms	Medical Calls	Total Calls
2002	101	7	164	69	1264	325	5606	7536
2003	73	4	105	42	1260	307	5593	7384
Change	-28%	-43%	-36%	-39%	-1%	-6%	-1%	-2%

Thanks to a combination of efficient and innovative management, our police and fire departments are better equipped to help make our streets and our neighborhoods safer.

### Leisure Services

The Department of Leisure Services is committed to increasing the quality of life for Gulfport's citizens in the area of culture and recreation. Improvements to City recreation and parks facilities continue to provide participants all across the City with leisure activities year round. The City has also purchased forty (40) acres of park space off Prudie Circle Drive for the development of park space and fields for baseball/softball and soccer/football, which are under contract and being funded by Harrison County with an expected completion in spring 2004. Tideland grants in the amount of \$200,000 for Cowan/Lorraine Road Boat Launch were received and the project was completed in 2003. The project is a joint project with Kremer Marine, MDOT, and the City

of Gulfport. The Department also received Tideland funding for a boat launch ramp to be constructed in conjunction with Ken Combs Pier. This project includes dredging, construction of a bulk head, and construction of a parking lot. This project will not go for bid until late 2004. The project also includes a new parking lot which was completed in 2003.

The Department of Leisure Services employs over 100 full time and part-time individuals and oversees ten divisions which are charged with park maintenance: approximately 540 acres; Athletics: coordination and administration of youth athletic programs; Recreation: coordination administration of after school and summer programs for the youth; Cultural Affairs: administration of special events such as parades, festivals, carnivals, etc. ; Senior Citizen programs: Coordination of programs for our elderly; Cemetery: Maintenance and administration of a City owned cemetery; Building Maintenance: Charged with maintenance and repairs of City owned buildings and public facilities; Horticulture: Management and beautification of City medians and rights of way. The other divisions include Special Populations which program for “persons with disabilities”, and the Gulfport Sportsplex, which includes grounds management and programming for the Sportsplex which includes nine baseball/softball fields and four international soccer fields.

The development and operation of the City’s Sports Complex continues to be the primary focus. This showcase is approximately 250 acres in size; includes nine lighted and fenced softball/baseball fields complete with a facility control center with restrooms, pavilions, and concessions; and four international size soccer fields. These facilities are designed with state of the art drainage and irrigation systems to insure that play can continue even after a heavy rain.

The Department also went into a lease agreement with Coastal Entertainment Operations (CEO) in 2003. The city will provide approximately 20 acres for lease, and CEO will construct and operate a “world class” water park at the Sportsplex. Clearing began in late 2003, with an anticipated opening date for the park in spring/early summer 2004.

## Urban Development

The City’s Urban Development Department is charged with building and planning code enforcement. This ranges from ensuring that state, local, and federal building codes are strictly adhered to and that the City’s adopted zoning ordinances are followed. This department is also charged with administering economic development and business retention, federal block grants which annual funding is approximately \$2 million, and a FEMA funded buyout program totaling in excess of \$10 million.

## Public Works

The Public Works Division is tasked with providing essential services to the citizens of Gulfport which have a direct impact on their “Quality of Life” each and every day. Major services provided by this division include: drainage system maintenance and improvement, street repair and maintenance, safe traffic flow, and high quality water and environmentally safe wastewater treatment and solid waste disposal. The following table indicates types of work and accomplishments for the Public Works Division for the past two years:

<i>Description</i>	<i>2002</i>	<i>2003</i>	<i>Percent Change</i>
<i>Ditches cleaned ( miles )</i>	317	364	+14.8%
<i>Culvert Installed (feet)</i>	6,425	6,255	-2.6%
<i>Asphalt (tons)</i>	1,676	2,049	+22.3%
<i>Limestone (yards)</i>	2,536	3,059	+20.6%
<i>Debris Removal (yards)</i>	22,102	24,416	+10.4%
<i>Water Leaks Repaired</i>	1,361	1,422	+4.4%
<i>Water Meters Installed</i>	522	748	+43.3%
<i>Water Meters Replaced</i>	63	212	+236.5%
<i>Sewer Taps</i>	71	84	+18.3%

## **Future Economic Outlook**

For most of the Twentieth Century, our business professionals and elected officials have fought an uphill battle to attract new business and industry to the state, a challenging job in most traditionally rural states made that much more difficult by the negative stereotypes with which many outsiders viewed Mississippi. But, the persistence of Mississippi's business leaders, particularly those along the Mississippi Gulf Coast, continued to market the three key assets of the State – a wealth of natural resources, an abundant source of low-cost labor, and a geographic strategic location positioned along the Gulf of Mexico and Mississippi River that offers easy and affordable access to millions of consumers.

Unified efforts between city leaders and state economic specialists have helped to continue the upward trends that have brought new business and industry to our city. This effort has made Gulfport one of the most diversified economic and cultural centers in our state. It is evident that with the introduction of gaming to our city and to the Mississippi Gulf Coast area, Gulfport's future could only look brighter. It is gaming, along with a rapid industrial and economic growth rate that has led the City of Gulfport once again to the forefront as one of the state's largest economic centers.

As with any city that has experienced unprecedented growth as Gulfport has, rapid growth can lead to various opportunities that must keep city leaders looking toward the future and vision of Gulfport. Increased population means thousands of additional cars and trucks on the road each day in our city. New tourist attractions bringing tens of thousands of visitors to our area only compounds the transportation issues on the Mississippi Gulf Coast. Aggressive efforts are being made by elected officials in coordination with MDOT to relieve the pressures of Gulfport's major thoroughfares.

There are several major developments that will have a distinct impact on the City of Gulfport's tax base for the future. Some of these projects include the expansion of the Port of Gulfport, the opening of the new Federal Court facility in the downtown area, the development of the Industrial Parkway centers in Gulfport, and an aggressive effort to attract new high-tech industries to our community. Early sales tax figures for 2004 indicate an upward trend for sales tax collections for the City of Gulfport. Continuity, leadership and realistic planning will keep these numbers on track and will help to pave the future of Gulfport.

### **Federal Court Facility**

When the City of Gulfport was awarded the site location of the multi-million dollar Federal Court Facility in South Mississippi, it was the catalyst needed to insure the growth and resurgence of the downtown area of Gulfport. The new site, located at the corner of 15<sup>th</sup> Street and 20<sup>th</sup> and 21<sup>st</sup> Avenues, brings life to an area of town that has remained stagnant for the past decade. Construction included the renovation of the old high school building which now serves as a Federal Court Office Complex with the federal courtrooms located in an adjacent building to the west. The new facility encompasses approximately 200,000 gross square feet with an estimated project cost of more than \$50 million. In addition to the new Dan Russell Federal Court Facility, a new multi-modal transportation center was built on the old Gulfport High School Administration property providing hundreds of affordable, secured parking spaces for those businesses downtown as well as for those visiting the Federal Court Facility.

Future developments in and around the Federal Court Facility include the new multi-office development at the old Turan-Foley Property. WestCourt, as it will be known, will offer office space for Gulf Coast businesses.

### **Mississippi State Port at Gulfport/Cruise Ship Development**

The State Port at Gulfport has experienced a year of phenomenal growth. Currently in the midst of a \$250 million on-site capital improvement plan, the shape of the State Port at Gulfport is changing daily. The Mississippi State Port at Gulfport, the third largest container port on the Gulf of Mexico, ended 2003 with a total cargo throughput of 2.38 million tons; 1.4 million tons of inbound cargo and 950,914 tons of outbound cargo. The year-end 2003 total exceeds 2002 levels by 244,030 tons, representing an increase of 11.4 percent. 2003 was a record year for the State Port at Gulfport. A total of 384 vessels called on the port. Commercial

trade with Cuba continued and expanded during the year. The Port of Gulfport remains as the primary U.S. Gulf distribution center for Dole Fresh Fruit, Chiquita Brands, and the Turbana Corporation.

2003 also saw the arrival of cruise ships to our state port on a temporary basis. After the floods of Mississippi River prevented the Carnival Conquest from being able to dock in New Orleans, the Conquest made its home in Gulfport for a period of about 10 weeks. After its departure, it was clearly evident that the State Port at Gulfport was equipped and able to handle the day-to-day operations of a cruise ship. Future plans for the port include the construction of a permanent cruise ship dock. Other plans for the future include the deepening and widening of the port's channel in order to accommodate for the movement of more and larger freight vessels. Acquisition and upgrade of a 68-mile link of KCS rail from Gulfport to Hattiesburg (currently under study) will enable the port to gain world-class distinction in terms of intermodal capacities and projected container volumes.

## **Retail Developments**

Although the City of Gulfport continues to experience growth throughout the city, the area north of I-10, particularly that in and around the cloverleaf intersection of I-10 and Highway 49, continues to emerge as the primary growth center for the city. In just a few short years, we have seen two major retail mall developments open offering over 5,000 jobs to area residents and providing significant tax revenues to the city. In the Prime Retail Mall, shoppers can choose from an array of outlet shops such as Ralph Lauren, Coach, Gap, Tommy Hilfiger and Bass.

Across the street to the northeast, Crossroads Mall continues to experience tremendous revenues in a number of their stores, setting regional and national sales figures for the year 2003. This mall development currently offers nationally recognized stores such as TJ Maxx, Shoe Carnival, Cracker Barrel Restaurants, Old Navy, Pets Mart, Academy Sports, Cinemark Theatres and Barnes and Noble. New anchor stores in 2003 include Bed, Bath and Beyond and Ross Dress for Less which is scheduled to open in early 2004. New restaurants include Logan's Roadhouse Grill, a freestanding Chick-Fil-A and Raising Cain's Chicken Tenders.

Harrison County alone realized over \$3.1 billion dollars in retail sales for the year 2003. This amount was up by 3% from the previous year. Occupancy rates on the 9.9 million square feet of retail space in Harrison County increased to 89.4 percent. According to the University of New Orleans Real Estate Data Center, one of the strongest markets in terms of occupancy continues to be in the North Gulfport area.

## **Industrial Park Development**

As Harrison County's economy continues to grow, Gulfport provides the perfect climate for industrial development along the Bayou Bernard Industrial District. The Harrison County Development Commission has located a 540-acre site in the northern part of Harrison County along both US Highway 49 and the Kansas City Southern Rail. The location is ideal for companies needing multi-modal transportation options, as well as access to the State Port. Interstate 10, only a few miles away, provides convenient east-west access along a major corridor. This new industrial and distribution center will be designed for manufacturers, warehouse operations, research facilities, offices, distributors, and commercial support activities.

In the Bernard Bayou Industrial District, Future Pipe Industries announced an expansion of their project prior to breaking ground. Also, SCI, Inc., completed a new facility, as well as an announcement of Williams Gaming's Expansion into Intraplex 10. Over \$18,000,000 in capital investment has been committed to the Bernard Bayou Industrial District for 2003-2004.

## **Casino Industry**

Once last on many national economic lists, Mississippi has vaulted to the top of those same lists in less than a decade, much in part due to the success of the gaming industry along the Mississippi Gulf Coast. Although the City of Gulfport plays host to two casinos, the commitment by both organizations to expand and provide additional facilities and services is indicative of the revenues generated by the casinos each month. Grand

Casino Gulfport, owned and operated by Caesars Entertainment Group, continues to expand their line of services to their guests with casino renovations and the addition their entertainment complex hosting nationally acclaimed entertainers on a weekly basis. The newest casino expansion story is that of the Copa Casino. A new 3-story casino barge with over 120,000 square feet of gaming now replaces the existing casino offering over 25,000 of restaurant space as well as a reserved area of over 30,000 which may be used as a sports arena, entertainment complex or convention center. The Copa continues to negotiate for plans for an adjacent hotel property next to the casino site.

Gaming revenue for 2003 was up slightly from 2002. Gaming revenues for Harrison County totaled \$42,275,112. According to the Mississippi Gaming Commission (2004), Mississippi Gulf Coast Casinos employed a total of 14,443 people in December of 2003.

### **Gulfport-Biloxi Regional Airport**

Over the past decade, the Gulfport-Biloxi Regional Airport has experienced unprecedented growth in terms of passengers, facilities and airline opportunities. Aircraft boardings at the Gulfport-Biloxi International Airport totaled 856,693 in 2003. This represents an increase of 7.4 percent over 2002.

Five commercial airlines now serve the airport providing air passengers over 48 daily flights. AirTran Airways, ASA/Delta, Continental, Southeast Airlines and Northwest Airlines have transformed the airport into a facility which offers non-stop jet service to seven major hubs, including Atlanta, Ft. Lauderdale, Tampa, Dallas, Houston, Memphis, Orlando and St. Petersburg.

Over 120 acres of Airport property is earmarked for cargo and general aviation and is now under development. The first cargo operation is currently opened and occupies about 5 acres.

The \$30 million expansion project is on track to be completed within two years and will effectively double the size of the airport – including expansions of the ticketing area, passenger screening and baggage area.

The Airport's economic impact to our area is valued at more than \$600 million annually.

### **Commercial and Small Business Development**

A total of \$61 million in commercial construction activity was permitted in the City of Gulfport in 2003 which, when compared to the 2002 permitted projects of \$39 million, it is obvious that there is a great deal of development occurring in our city. These same numbers can be seen in Small Business Development where the U.S. Small Business Administration issued 44 loans totaling \$13.6 million dollars in Harrison County. These loans resulted in the retaining and/or creating approximately 160 jobs.

## **Financial Information**

### **Accounting System**

The Department of Finance and Administration is responsible for providing the financial services for the City including financial accounting and reporting, payroll and accounts payable disbursement functions, cash and investment management, debt management, budgeting, purchasing, and information systems.

The Department of Finance and Administration is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's current internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgetary Controls**

The City maintains specific budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Mayor and City Council. Activities of the general fund, special revenue funds, debt service fund, capital projects funds, and proprietary funds are included in the annual appropriated budget. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major expenditure classification and require approval by the governing body; however, equal transfers between line items within a classification may be approved by the Department Director. For management purposes, project length budgets are prepared for the capital projects fund even though all adopted budgets lapse annually in the State of Mississippi.

The City maintains an encumbrance accounting system as one budgetary control technique. Encumbrances reserve appropriations, which have been obligated through purchase orders or contractual documents. Encumbered amounts lapse at year end; however, they are generally reappropriated as part of the following year's budget.



## General Government Functions

The City's General Fund is used to account for expenditures for traditional services as well as all financial resources other than those required to be accounted for in other funds. General Fund revenues include property tax, intergovernmental revenues, various permit fees, franchise taxes, fines, sales tax, and other sources as indicated on the accompanying graphs and schedules.

### Revenues

The largest revenue source for the City is Property Tax revenue. This tax is derived from the City levying a tax on property located within its corporate boundaries. Property tax of \$19.3 million accounted for 33% of General Government revenues in fiscal year 2003.

Another primary source of revenue for Gulfport is sales tax. This tax is derived from the State of Mississippi levying a general sales tax of 7% on most retail sales. Of this amount collected by the state, 18.5% is remitted back to each municipality for the amounts collected within its corporate boundaries. Sales tax of \$17.0 million accounted for 30% of General Government revenues in fiscal year 2003.

The table below represents the percentage increases in sales tax and property tax revenues over the past nine years.

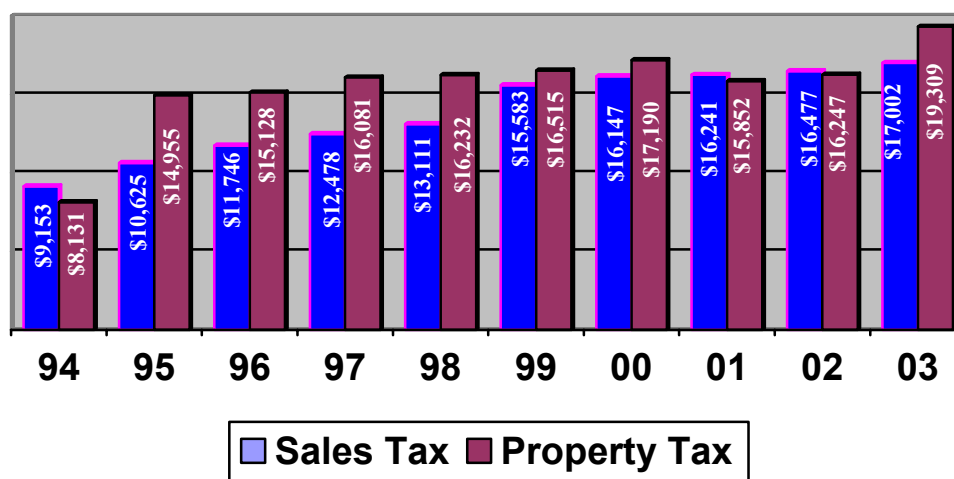
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Sales Tax	67%	16%	11%	7%	5%	19%	4%	.5%	1%	3%
Property Tax	11%	84%	2%	7%	1%	2%	4%	-8%	3%	19%

Note:

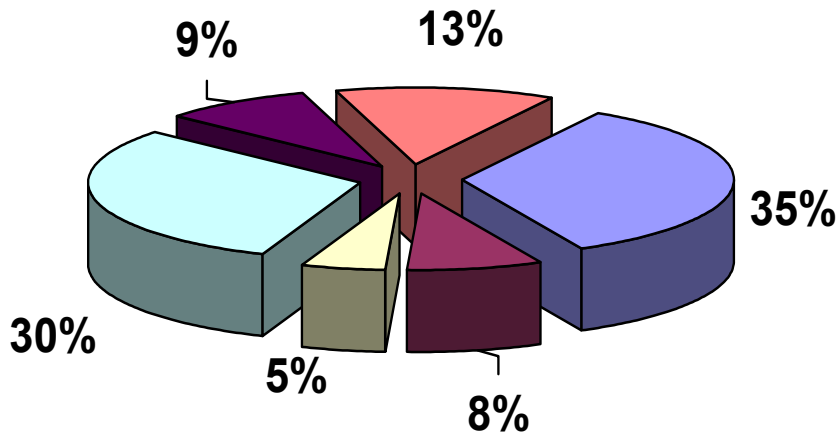
- 1) Increase in sales tax revenue for 1994 is due to City annexation of Orange Grove on January 1994.
- 2) Increase in property tax revenue for 1995 is due to the 1994 annexation.
- 3) Decrease in property tax revenue for 2001 is due to property tax rate reduction.
- 4) Increase in property tax revenue for 2003 is due to a 15% tax rate increase.

## Annual Sales and Property Tax Collections

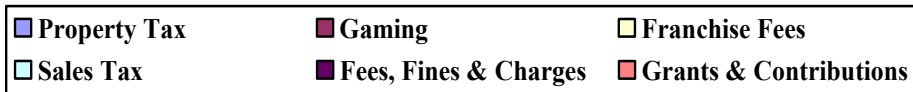
Expressed in Thousands



### General and Program Revenues

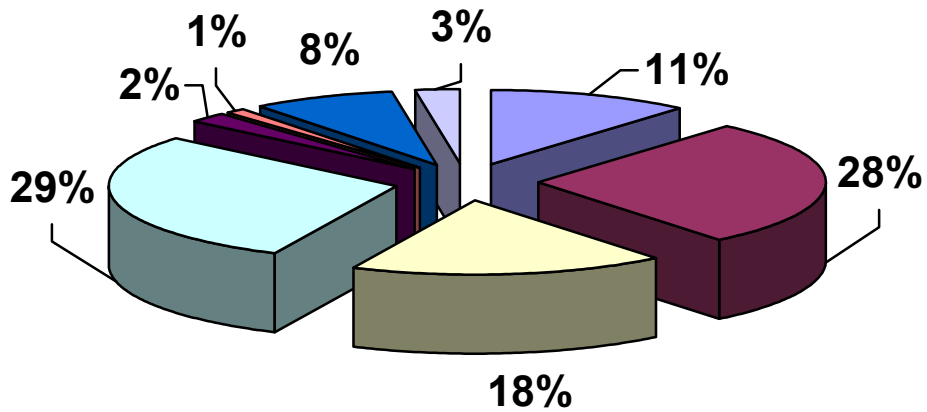


General and Program Revenues for 2003 totaled \$56,819,081; an increase of \$2.8 million or 5% increase compared to prior year.



General Government Expenses for 2003 totaled \$60,790,435; and increase of \$1,589,000 or 3% over the prior year.

### General Government Expenses



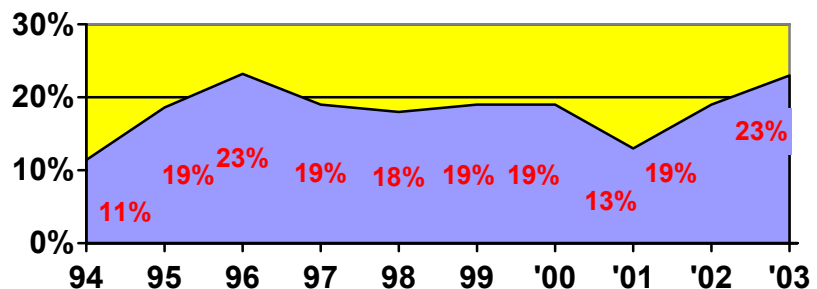
## ***Fund Revenue and Expenditure Analysis***

The following schedule presents the General Government revenues and expenditures for the year ended September 30, 2003, and the amount and percent change from 2002: (Amounts are based on modified accrual basis fund amounts for comparison purposes and are expressed in thousands)

Revenues ( in thousands )	2002 Amount	2003 Amount	Dollar Change	Percent Change
Property Tax	16,247	19,309	3,062	19%
Sales Tax	16,477	17,002	525	3%
Franchise Tax	2,771	2,833	62	2%
Gaming	4,398	4,478	80	2%
License and Permits	1,092	1,784	692	63%
Intergovernmental	9,113	9,093	20	1%
Charges for Service	1,021	1,204	183	18%
Fines	1,938	1,965	27	1%
Miscellaneous	956	1,137	181	19%
Total Revenue	54,014	58,805	4,791	9%
<b>Expenditures:</b>				
General Government	6,211	6,743	532	9%
Public Safety	27,666	26,996	670	2%
Public Works	7,027	7,905	878	12%
Capital Projects	9,662	9,293	369	4%
Culture and Recreation	4,732	4,877	145	3%
Economic Development	1,126	1,453	327	29%
Health and Welfare	750	639	111	15%
Debt Service	4,019	4,130	111	3%
Total Expenditures	59,201	62,036	2,835	5%

## ***Status of Fund Balance***

The General Fund's undesignated fund balance is presented on the balance sheet indicating that portion which is legally reserved for a specific use and the remaining unreserved portion which is available for appropriation. The fiscal year 2003 ending unreserved fund balance is \$ 10.6 million which is 23 % of the general fund operating budget as the graph at the right indicates.



## Enterprise Funds

Gulfport's enterprise operations consist of the Water and Sewer Fund and the Joseph T. Jones Memorial Park Fund. The Water and Sewer Fund accounts for traditional water and sewer revenues and expenditures to construct and maintain the water and sewer system. The Joseph T. Jones Memorial Park Fund was created to account for operations, maintenance, and leasing of boat slips and other facilities within Jones Park. Financial statements related to both of these enterprise funds are contained in this report.

## Debt Administration

The City maintains the Municipal Debt Service Fund to administer the debt associated with its general obligation bonds. A separate ad valorem tax is levied and collected to provide funds to retire such debt. For 2003, this tax was 7.36 mills compared to 7.10 mills for the prior year. The following table summarizes the change in the City's debt position over fiscal year ending September 30, 2003.

	Payable at 10/01/2002	Additions	Reductions	Payable at 9/30/2003
<b>Tax Supported Debt</b>				
GO Bonds	\$ 24,650,000	\$ 14,580,000	\$ 11,050,000	\$ 28,180,000
Notes \ Loans	\$ 7,301,264	\$ 1,079,779	\$ 488,638	\$ 7,892,405
Lease Purchase	\$ 1,180,000		\$ 320,000	\$ 860,000
Subtotal	\$ 33,131,264	\$ 15,659,779	\$ 11,858,638	\$ 36,932,405
<b>Water and Sewer Debt</b>				
Bonds	\$ 58,265,000		\$ 1,060,000	\$ 57,205,000
Notes	\$ 5,676,582	\$ 990,685	\$ 430,279	\$ 6,236,988
Subtotal	\$ 63,941,582	\$ 990,685	\$ 1,490,279	\$ 63,441,988
Grand total	\$ 97,072,846	\$ 16,650,464	\$ 13,348,917	\$ 100,374,393

Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed valuation. Gulfport's total assessed valuation is \$ 597,852,527; therefore, the 15% limitation equals: \$89,677,879; less GO Bonds outstanding of \$ 58,050,000; plus \$2,872,165 in funds available for debt service principal payment; leaving a margin for further debt issuance of \$ 64,370,044.

Gulfport's bond rating was upgraded in August 1996 by Moody's bond rating service from "BAA1" to an "A2" rating.

## Cash Management

The City utilizes a cash management policy to analyze cash flow and project immediate cash needs in order to maximize investment earnings. As allowed by state statute, idle funds are invested in US Treasury Bills. Also, all remaining cash is placed in a sweep account that is invested overnight in Treasury notes.

## Risk Management

The City is self insured for liability claims, workers' compensation and group health under plans administered by Stewart Sneed and Hewes Insurance Companies. Employee health insurance is provided for all employees. The City has in place a Safety Committee and Risk Manager that reviews all accidents and workers' compensation claims. Recommendations are then made to the appropriate department head concerning any additional preventive measures.

### **Independent Auditors**

The City of Gulfport is required by Section 21-35-31 of the Mississippi Code of 1972 to have an annual audit by independent certified public accountants. In compliance with these requirements, the City selected the firm of Clifford, Harvey & Culumber, PA to perform the audit for fiscal year ended September 30, 2003. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' rendered an unqualified opinion.

The City of Gulfport is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-128, Audits of States and Local Governments. Information related to the single audit, including internal control and compliance reports and an opinion on federal financial assistance is included in a separately issued single audit report.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA), awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulfport, Mississippi, for its comprehensive annual financial report for the year ended September 30, 2002. This was the seventh year that the City of Gulfport has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance and Administration. I also wish to express my appreciation for the cooperation of the other City departments in providing information for this report.

I acknowledge the thorough and professional manner in which the audit was conducted by our independent auditors Clifford, Harvey & Culumber, PA..

Finally, I acknowledge the Mayor and City Council who have consistently supported the City's goal of excellence in all aspects of financial management. Their continuing interest and support are greatly appreciated.

Respectfully submitted,

Jerry W. Smith  
Chief Administrative Officer

Mike Necaie  
Comptroller

# CITY OF GULFPORT ORGANIZATIONAL CHART



# CITY OF GULFPORT, MISSISSIPPI

Listing of City Officials  
As of September 30, 2003

## Elected Officials



**Ken Combs**  
Mayor



**Jimmie Jenkins**  
Councilman, Ward 1



**Richard Rose**  
Councilman, Ward 2



**Ella Holmes-Hines**  
Councilwoman, Ward 3



**Kim Savant**  
Councilman, Ward 4



**Ricky Dombrowski**  
Councilman, Ward 5



**Chuck Teston**  
Councilman, Ward 6



**Billy Hewes**  
Councilman, Ward 7

## Appointed Officials

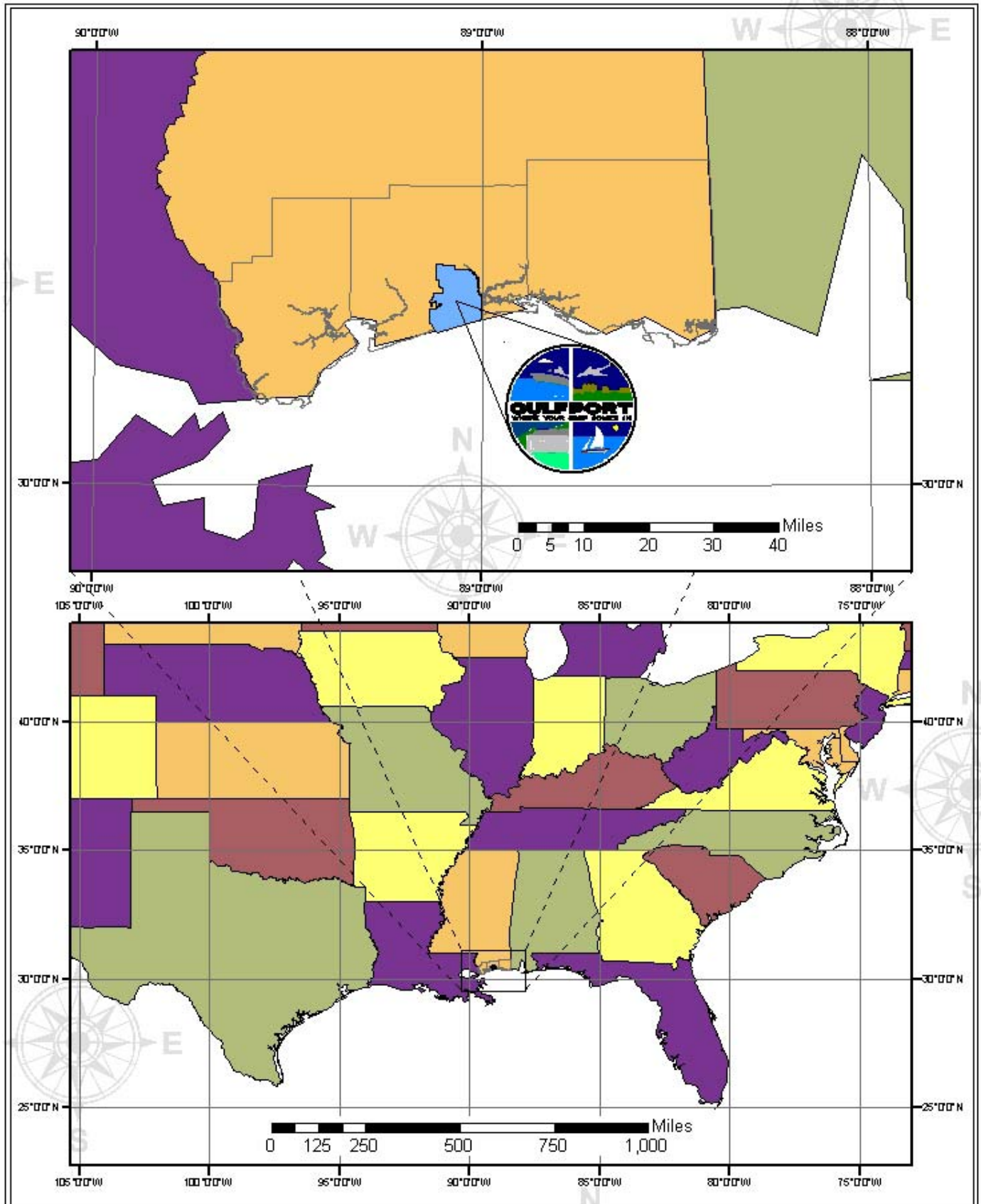
Chief Administrative Officer  
Police Chief  
Leisure Services Director  
Urban Development Director

Jerry Smith  
Wayne Payne  
George Decoux  
Sandy Baylor

City Attorney  
Fire Chief  
Public Works Director  
City Engineer

Harry Hewes  
Pat Sullivan  
Kris Riemann  
Bill Powell

# Geographic Location for Gulfport, Mississippi





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gulfport,  
Mississippi

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



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CLIFFORD, HARVEY & CULUMBER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
2300 TWENTIETH STREET  
GULF PORT, MISSISSIPPI 39501-2980  
TELEPHONE (228) 863-6559 FAX (228) 863-6952  
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THOMAS E. CLIFFORD, CPA  
DAVID M. HARVEY, CPA  
ROBERT L. CULUMBER, CPA  
STEPHANIE D. BURGE, CPA  
ROBERT K. BURNAMAN, CPA (RETIRED)

MEMBERS  
AMERICAN INSTITUTE OF CPAs  
AICPA DIVISION OF CPA FIRMS- PRIVATE  
COMPANIES PRACTICE SECTION MISSISSIPPI  
SOCIETY OF CPAs

INDEPENDENT AUDITORS' REPORT

The Members of City Council  
and the Honorable Ken Combs, Mayor  
Gulfport, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Gulfport's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. .

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gulfport, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note (2), during the year ended September 30, 2003, the City implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No.34, *Basic Financial Statements -and Management's Discussion and Analysis -for State and Local Governments*; GASB Statement No.37, *Basic Financial Statements for State and Local Governments: Omnibus*; GASB Statement No.38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No.6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Management's Discussion and Analysis and the Analysis of Funding Progress are not required parts of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods

of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, our report dated March 5, 2004, on our consideration of internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants will be issued under separate cover in our *Single Audit Report* in May 2004. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Clifford, Harvey & Culumber, P.A." The signature is written in a cursive, flowing style.

**CLIFFORD, HARVEY & CULUMBER, P.A.**  
**Certified Public Accountants**

March 5, 2004

## FINANCIAL SECTION

The Financial section contains the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements (which include the Government-Wide and Fund Level Financial Statements, Notes to the Financial Statements, Required Supplementary Information and the combining and individual fund financial statements and schedules.





## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The purpose of this section is to present the significant financial issues in a way that will assist the reader in understanding the overall financial condition of the City, provide an overview of the City's financial activity, identify changes and material deviations in the City's budget and actual amounts, and communicate currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations.





# **City of Gulfport, Mississippi**

## **Management Discussion and Analysis Introduction**

This section is a required component of the City's Comprehensive Annual Financial Report and should be read in conjunction with the City's transmittal letter at the front of this report and the City's financial statements which immediately follow this section . As management of the City of Gulfport, Mississippi, we offer this narrative and analysis of the financial activities for fiscal year ending September 30, 2003. This discussion and analysis is designed to: 1) present the significant financial issues in a way that will assist the reader in understanding the overall financial condition of the City; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position; 4) identify any material deviations from the City's financial plan (i.e. budget to actual); and 5) communicate currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations.

### **Financial Highlights**

The overall financial status of the City of Gulfport has improved significantly. This has been accomplished by using sound financial planning and budgeting. The City is committed to continue approving balanced budgets and implementing long range financial planning.

- The General Funds revenues and other financing sources exceeded its expenditures and other financing uses by \$ 1.4 million for 2003 as compared to expenditures and other financing uses exceeding revenues and other financing sources by \$1.6 million in 2002.
- The General Fund's unobligated and undesignated fund balance increased by \$1,734,018 or 20%; (from \$ 8.9 million to \$ 10.6 million ) as compared to the prior year. This is a significant resource for the City in that it represents those resources which are available for appropriation.
- The Water and Sewer Fund operated at a \$ 2.2 million loss for 2003 as compared to a \$ 2.5 million loss for 2002.
- Capital Improvements – The City spent \$ 8.6 million for infrastructure upgrades and improvements, i.e. (drainage, streets, parks, water & sewer, etc.) for 2003 as compared to \$ 8.1 million for 2002.
- Joseph T. Jones Memorial Park fund operated at a \$38,000 profit for 2003 as compared to a \$75,000 loss in 2002.

### **Brief Description of the Financial Statements**

This annual report consists of a series of financial statements which are presented in a hierarchal structure. The highest level of reporting and most summarized statements are the Statement of Net Assets (i.e. balance sheet ) and Statement of Activities (i.e. income statement) contained on pages 33 and 34, respectively. These two statements provide financial information on the government as a whole similar to how private sector

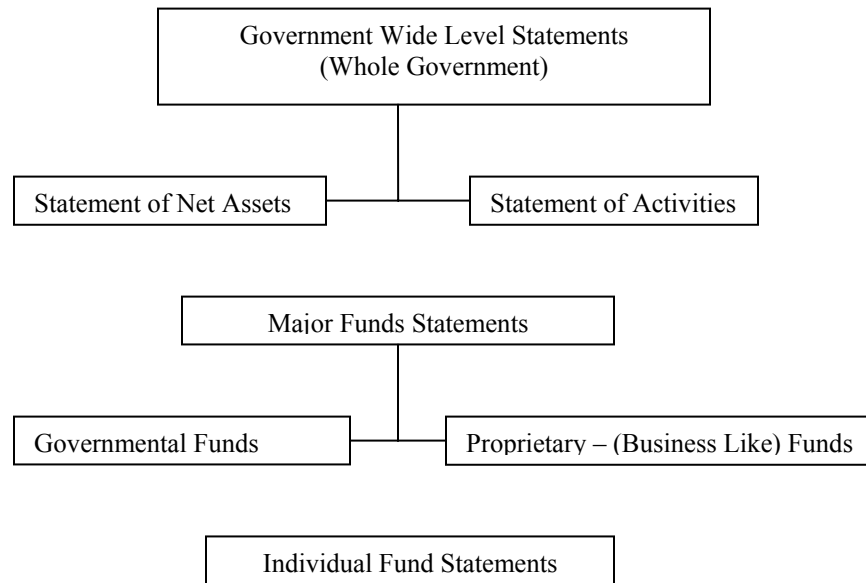
companies report their finances. These two statements are the only place within this report where a reader can review the operations and worth of the City of Gulfport as a whole. The entire operations of the City are rolled up to this level of reporting. All of the City's annual revenues and expenses are reported in the Statement of Activities while all of the City's assets and liabilities are reported in the Statement of Net Assets. These two statements answer the question "Is the City as a whole better off or worse off as a result of the year's activities?"

The second tier of financial reporting is the "Major" Fund Financial Statements. The fund financial statements begin on page 35 and provide detailed information about the City's most significant funds. Funds are accounting entities used to track specific funding sources and uses for particular programs. Individual funds are either established by law or set up for management purposes. Two separate statements are issued: one for activities that are of a governmental nature and a separate set of statements are contained for activities that are of a business like nature.

Governmental Funds – Most of the City's basic services are reported in the governmental funds. Examples include activities relating to governmental funds are public safety, public works (non water and sewer), culture and recreation, urban development, capital projects, debt service and general administration. The financial statements of Governmental Funds are reported on the modified accrual basis – which measures cash and all other financial assets that can readily be converted to cash. Governmental statements provide a more detailed short-term view that can answer the question "Is the government better or worse off with regards to its financial resources, and whether there are fewer or more resources which can be spent in the short term future?." The amounts contained on these statements are adjusted for full accrual and rolled over to the government wide statements. Governmental Fund Financial Statements are contained on pages 35-38.

Proprietary Funds – Contain funds existing from fees charged to customers for services provided by the City. Activities relating to the City's Water and Sewer Operations and Joseph T. Jones yacht basin are reported in this section. The financial presentation of these activities are reported on pages 39-43 of this report. These financial statements are reported on the full accrual basis – revenues are recognized when earned and measurable. Because both the proprietary fund statements and the government wide statements are reported on the full accrual method of accounting, the total column of the proprietary funds statements are the same contained on the government wide business type activities column of the Statement of Net Assets and Statement of Activities.

Below is a chart illustrating the above mentioned financial reporting model:



## Financial Analysis of the City as a Whole

### Government Wide Statement of Net Assets

	Governmental Activities	Business Type Activities	Total
<b>Assets:</b>			
Current and Other Assets	\$34,295,698	\$8,166,713	\$42,462,411
Capital Assets	\$205,819,761	\$75,972,261	\$281,792,022
Total Assets	\$240,115,459	\$84,138,974	\$324,254,433
<b>Liabilities:</b>			
Current and Other Liabilities	\$8,719,961	\$4,832,994	\$13,552,955
Long Term Liabilities	\$38,315,074	\$61,503,459	\$99,818,533
Total Liabilities	\$47,035,035	\$66,336,453	\$113,371,488
<b>Net Assets:</b>			
Invested in Capital Assets net of related debt	\$168,887,356	(\$168,187)	\$168,719,169
Restricted	\$4,288,017	\$4,000	\$4,292,017
Unrestricted	\$19,905,051	\$17,966,708	\$37,871,759
Total Net Assets	\$193,080,424	\$17,802,521	\$210,882,945

Note: The column entitled business type activities includes the City's Water and Sewer and the Joseph T. Jones Memorial Park operations.

Net Assets will serve as a useful indicator of a government's financial position over time. In the case of Gulfport, Governmental assets exceeded liabilities by \$193,080,424; while, Business Type assets exceeded liabilities by \$17,802,521. By far, the majority of the City's Governmental net assets are related to investment in capital assets, i.e. roads, bridges, parks, etc. \$168,887,356 is the book value ( net of related debt ) of the City's Governmental capital assets (i.e. roads, bridges, parks, etc.) representing approximately 87% of the City's total Governmental net assets.

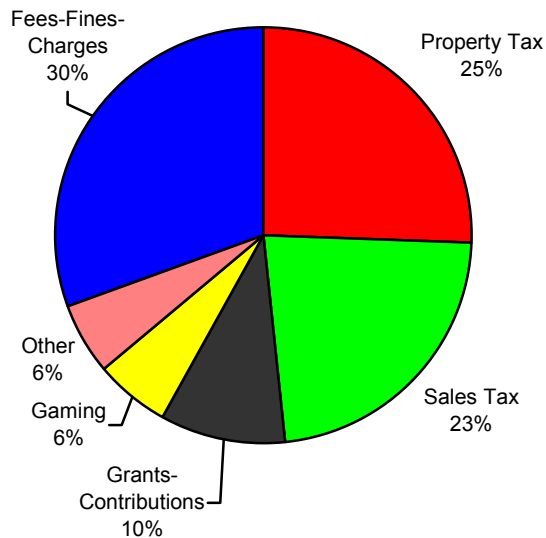
The City added roads and bridges to its inventory for the first time due to an accounting change of the "Governmental Accounting Standards Board." The Historical cost of the City's roads and bridges is estimated at \$222,361,086. These assets are being classified with useful lives of 60 years with current year depreciation approximating \$2,550,000.

### Government Wide Statement of Activities

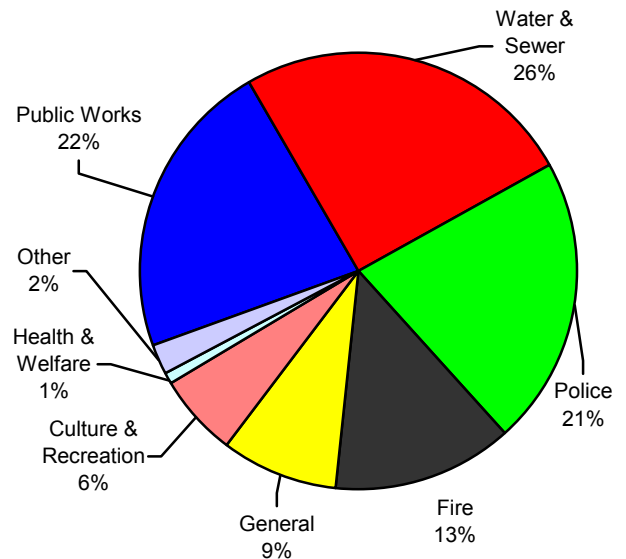
	Governmental Activities	Business Type Activities	Total
<b>Program Revenues:</b>			
Fees, Fines, Charges for Service	\$4,953,115	\$18,123,621	\$23,076,736
Grants and Contributions	\$7,377,164	\$1,630,147	\$9,007,311
<b>General Revenues:</b>			
Property Taxes	\$19,309,087		\$19,309,087
Sales Taxes	\$17,002,238		\$17,002,238
Gaming	\$4,477,760		\$4,477,760
Other	\$3,969,297	\$195,204	\$4,164,501
Total Revenues	\$57,088,661	\$19,948,972	\$77,037,633
<b>Program Expenses</b>			
General Government	\$6,860,506		\$6,860,506
Police	\$17,018,231		\$17,018,231
Fire	\$10,721,640		\$10,721,640
Public Works	\$17,725,458		\$17,725,458
Economic Development	\$1,390,045		\$1,390,045
Culture and Recreation	\$4,890,495		\$4,890,495
Health and Welfare	\$641,419		\$641,419
Interest on Long Term Debt	\$1,542,641		\$1,542,641
Water and Sewer		\$20,280,704	\$20,280,704
Joseph T. Jones		\$339,255	\$339,255
Total Expenses	\$60,790,435	\$20,619,959	\$81,410,394
Change in Net Assets	(\$3,701,774)	(\$670,987)	(\$4,372,761)
Net Assets at beginning of year (restated)	\$196,782,198	\$18,473,508	\$215,255,706
Net assets at end of year	\$193,080,424	\$17,802,521	\$210,882,945

Note: The column entitled business type activities includes the City's Water and Sewer and Joseph T. Jones operations.

### Where does the City's Money Come From?



### How is the Money Used?



Property Tax – The City implemented a 15% property tax rate increase during 2003. This increase raised an additional \$3.1 million in revenues (from \$16.2 to \$19.3 million.) Property tax accounts for 25% of the City's revenues falling second only to water and sewer charges.

Another significant source of revenue for the City is sales tax accounting for 23% of the City's total. Sales tax increased \$525,000 or 3% from the prior year ( from \$16.5 to \$17 million.) Although this increase was nominal, we feel encouraged due to the state of the overall State, Local, and National economies. The City of Gulfport continues to put great emphasis in promoting economic development activities in order to lessen the burden of taxes on its citizens.

The City's Governmental Activities' expenses exceeded its revenues by \$3,701,774 or 6%; while the City's Business like Activities' expenses exceeded its revenues by \$670,987 or 3%. The major contributing factor for the \$3.7 million loss in the City's Governmental Activities has to do with \$4.8 million recorded in depreciation. Depreciation on capital assets (i.e. roads, bridges, machinery, etc.) is not reported in the individuals funds because it does not require the use of the City's current available resources; however, this cost is included in the City's Government Wide Statement of Activities. This was the major change in the new accounting pronouncement as previously discussed.

The table below represents the cost of each of the City's major governmental functional areas – Police, Fire, Public Works, Culture and Recreation, General Government, and Economic Development. The costs are separated into total cost and net cost. The net cost shows the financial burden that was placed on the City's taxpayers after taking into account the program revenues generated by each of the major functional areas.

### Governmental Activities - Cost

	Total Cost of Service	Net Cost of Service
Public Works	\$ 17,725,458	\$17,720,783
Police	\$17,018,231	\$15,570,273
Fire	\$10,721,640	\$10,459,840
Culture and Recreation	\$4,890,495	\$4,317,294
General Government	\$6,860,506	\$1,278,026
Economic Development	\$1,390,045	(\$3,070,120)

### Fund Financial Analysis

The City maintains fund accounting to comply with budgetary and legal compliance and for specific management control. The following is a brief discussion of financial highlights from the major fund financial statements.

### Governmental Funds

The focus of the governmental fund financial statements is to provide information on current financial resources of the City. Funds included in this category are as follows: General Fund, Capital Project Funds ( i.e. Public Improvements 1993, 1996, 1998, 2001, and 2003), Special Revenue Funds ( i.e. Forfeits and Seizures, Community Development, Police and Fire Retirement, Library, and Flood Acquisition), and Debt Service Fund.

**The General Fund** is the main operating fund of the City. Activities that are traditional in nature to governmental entities are reported in this fund: i.e. public safety, public works (operations & maintenance), culture and recreation, economic development, and general government. The General Fund accounts for approximately 80% of the City's governmental revenues. Overall, the City's finances improved significantly as evidenced by the numbers below.

## General Fund – Financial Summary

	<u>2003</u>	<u>2002</u>
Total Revenues	\$47,565,344	\$42,702,561
Total Expenditures	\$46,212,930	\$44,340,970
Excess of Revenues over Expenses	\$1,352,414	(\$1,638,409)
Fund Balance – Beginning Year	\$11,631,160	\$13,269,569
Fund Balance – Ending Year	<u>\$12,983,574</u>	<u>\$11,631,160</u>

- The General Fund’s excess of revenues over expenditures and other financing sources was \$1,352,414 for the current year as compared to a (\$1,638,409) deficit for the prior year.
- General Fund Cash increased by \$2,142,504 or 24%: from \$9,011,808 to \$11,154,312.
- The General Fund’s fund balance increased by \$1,353,414,018 or 12%: from \$11,631,160 to \$12,983,574. The main reason for this increase in both cash and fund balance is due to a 15% property tax increase enacted for the 2003 year.
- Total General Fund revenues increased by \$4,862,783 or 11%: from \$42,702,561 to \$47,565,344: property tax revenues increased by \$2,793,781 resulting from a 15% tax rate increase; while, licenses and permits increased by \$691,483 resulting from a fee increase on building permits.
- Total General Fund expenditures increased by \$1,871,960 or 4%: from \$44,340,970 to \$46,212,930. The majority of the increase was attributed to the following: Fire – \$667,000 increase in personnel services; Public Works - \$581,000 increase in capital outlay; Police - \$347,000 increase in personnel services.

### Business-Type Fund

#### Water and Sewer Fund

The purpose of the City’s Water and Sewer Fund is to account for activities of its water and sewer operations. The financial reporting of this fund is contained on the government wide financial statements under the column entitled “business-type activities. Below is a condensed operating statement of the City’s Water and Sewer Fund.

City of Gulfport  
Water and Sewer Fund  
Condensed Statement of Revenues and Expenses

	<u>2003</u>	<u>2002</u>
Revenues	\$17,888,703	\$18,490,835
Expenses	\$20,091,149	\$20,994,558
Income / (Loss)	<u>(\$2,202,446)</u>	<u>(\$2,503,723)</u>

- Total water and sewer revenues decreased \$602,132 or 3%; from \$18,490,835 to \$17,888,703. The City's water and sewer rates remained unchanged as compared to the prior year. The reason for the slight decrease in revenues is attributed to the following: The City purchased a utility district (Orange Grove Utilities ) located in the north central part of Gulfport in 1999 acquiring approximately 5,000 customers; representing a 25% increase in the City's customer base. Since that time, customers were being billed on a flat rate rather than a metered rate due to the fact that most of the customers did not have meters available. The City aggressively implemented a meter installation program that was complete during the latter part of FYE 2002. Once this process was complete, the city began charging these customers based on a metered rate. Before metered rates were enacted, the customers were billed on a flat 8,000 gallon usage. The average consumption is now 6,000 gallons; thus resulting in lower water and sewer bills for customers in Orange Grove and decreased revenues to the City.
- Total water and sewer expenses decreased by \$903,409 or 4%: from \$20,994,558 to \$20,091,149. The majority of this decrease is due to the following: City recorded \$1,103,872 less in depreciation expense for the current year as compared to the prior year: from \$2,693,643 prior year to \$1,589,771 current year. The City had a change in estimated useful lives on its water and sewer infrastructure assets, from 25 years to 50 years. This change in estimated useful lives resulted in less depreciation expense in the current year.

### **General Fund Budgetary Highlights**

The City's General Fund Budget has been prepared in accordance with the laws of the State of Mississippi. The City maintains specific budgetary controls to ensure compliance with legal provisions embodied in the annual budget approved by the Mayor and Council. The legal level of budgetary control ( that is, the level at which expenditures cannot legally exceed the appropriated amount ) is established by department and major expenditure classification (i.e. personnel services, supplies, other services, and capital outlay ) and require approval by the governing body.



General Fund  
Summary of Budget to Actual Amounts  
Fiscal Year Ending 9-30-2003

	Original Budget	Revised Budget	Actual Amounts
Revenues:			
Property Taxes	\$13,062,383	\$13,062,383	\$13,520,404
Sales Tax	\$16,500,000	\$16,500,000	\$16,951,765
Intergovernmental	\$2,748,710	\$4,820,915	\$3,842,580
Fines and Forfeits	\$2,700,000	\$2,700,000	\$1,785,389
Gaming	\$4,350,000	\$4,350,000	\$4,401,452
Other	\$5,496,808	\$6,514,990	\$6,703,891
Total Revenues	\$44,857,901	\$47,948,288	\$47,205,481
Expenditures:			
Public Safety	\$26,081,640	\$27,783,638	\$25,184,880
Public Works	\$7,604,003	\$7,638,513	\$7,332,518
Economic Development	\$1,432,142	\$1,502,149	\$1,446,633
Culture and Recreation	\$4,532,994	\$4,621,375	\$4,372,868
General Government	\$6,975,949	\$8,357,453	\$6,203,778
Other		\$142,931	\$142,873
Total Expenditures	\$46,626,728	\$50,046,059	\$44,683,550
Excess of Revenues over Expenses	(\$1,768,827)	(\$2,097,771)	(\$2,521,931)

The City amended its General Fund's Revenue and Expenditure budget several times over the year.

The revenue budget was increased by \$3,090,387 or 7%. The majority of this increase was due to the following: 1) a \$963,000 million contribution from the County for reimbursement to the City on a County-wide public safety communication system; 2) \$1,388,000 to record various public safety grants that were approved during the year; and 3) \$640,000 in FEMA \ MEMA grants for disaster recovery relating to Tropical Storms Lili and Isidore.

The expenditure budget was increased by \$3,419,331 or 7%. The majority of this increase is outlined as follows: 1) Fire \$374,000 – The City was awarded a Federal Fire Safety Grant during the fiscal year; 2) Police \$650,000 – The City was awarded various grants for the year such as homeland security and other federal grants that were not

included in the original budget; 3) Encumbrance Rollovers for various departments - \$901,000 – These monies were commitments from 2002 that were unsatisfied in the year the commitment was incurred and consequently budget amendments were made in 2003 to satisfy these; and, 4) FEMA – MEMA - \$734,000 for rollover expenditures relating to Tropical Storms Lili and Isidore.

Overall, the City's General Fund actual revenues ( budget basis ) fell short of projected revenues slightly by \$742,807 or just less than 1%; while, actual expenditures fell short of budgeted expenditures by \$5,362,509 or 11%. The revenue shortfall was a result of the following: 1) Court fine revenue was down \$914,611 or 34%; 2) Intergovernmental revenue was down \$978,335 or 20% which was a result of the City's delayed reimbursement from the County on reimbursement on the public safety communication system; and 3) sales and property tax revenues exceeded budgeted estimates by \$458,021 and \$451,765, respectively.

The majority of the \$5.4 million expenditure surplus is attributed to the following: 1) Public safety personnel services had a \$1.5 million surplus due to vacant unfilled positions throughout the year and \$475,000 surplus in other services; 2) Other services in the General Government function had a \$1.6 million surplus attributed to the following: \$308,000 was budgeted for Tropical Storm damage and not spent in 2003 and \$613,000 was budgeted for the construction of a public transit parking garage for which funds were not spent in the current year and budget amendments were made in 2004 to rollover these funds ; and 3) approximately \$600,000 was remaining in unspent General Fund capital outlay purchases. Most of this remaining capital outlay was budgeted again in the 2004 budget.

## Capital Assets and Debt Administration

### Capital Assets

#### City of Gulfport Schedule of Capital Assets Net of Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$21,554,581	\$21,554,581	\$212,616	\$212,616	\$21,767,197	\$21,767,197
Buildings	\$10,752,257	\$11,047,969	\$838,556	\$811,623	\$11,590,813	\$11,859,592
Improvements	\$2,179,197	\$1,927,002	\$61,608,077	\$57,600,463	\$63,787,274	\$59,527,465
Infrastructure	\$164,349,503	\$165,232,386			\$164,349,503	\$165,232,386
Machinery & Equip.	\$4,363,457	\$4,827,483	\$276,484	\$346,436	\$4,639,941	\$5,173,919
Vehicles	\$2,620,766	\$3,364,142	\$338,069	\$216,564	\$2,958,835	\$3,580,706
Totals	\$205,819,761	\$207,953,563	\$63,273,802	\$59,187,702	\$269,093,563	\$267,141,265

The above table represents the values ( net of depreciation ) of the City's various classes of assets. The ending 2003 asset values were estimated at \$269,093,563 and included a wide range of assets: land, buildings, parks, roads, bridges, drainage systems, machinery, vehicles, and water and sewer systems. Asset values increased by \$1.9 million ( after depreciation ) as compared to the prior year. Depreciation expense for the 2003 year totaled \$6,478,207 and was allocated to the following functional areas:

Public Works	\$3,020,812	Culture and Recreation	\$84,576
Fire	\$972,793	Economic Develop	\$10,848
Police	\$483,247	Water and Sewer	\$1,589,771
General Government	\$266,194	Joseph T. Jones	\$18,396

Major increases to capital assets include the following:

- Brickyard Bayou Drainage Improvements \$ 1.2 million.
- O'neal Road Drainage Improvements \$415,000.
- Sports Complex expansions and additions \$492,000.
- 5<sup>th</sup> Avenue Drainage \$542,000.
- Pier Improvements \$359,000.

## Debt Administration

### City of Gulfport Schedule of Long Term Debt

	Governmental Activities		Business-Type Activities		Totals	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Bonds	\$29,025,000	\$25,860,000			\$29,025,000	\$25,860,000
Notes	\$7,892,405	\$7,301,264			\$7,892,405	\$7,301,264
Capital Leases	\$860,000	\$1,180,000			\$860,000	\$1,180,000
Compensated Absences	\$1,544,751	\$1,895,054			\$1,544,751	\$1,895,054
Claims and Judgements	\$45,000	\$45,000			\$45,000	\$45,000
Revenue Bonds and Notes backed by water and sewer fund			\$63,441,988	\$63,941,582	\$63,441,988	\$63,941,582
Totals	\$39,367,156	\$36,281,318	\$63,441,988	\$63,941,582	\$102,809,144	\$100,222,900

Note: The above amounts do not include debt relating to Memorial Hospital or Harrison County Wastewater Management District. The City is in a joint venture with these two entities and both entities services its own debt.

At year end, the City had \$103 million in outstanding debt representing an increase of \$3 million or 3% as compared to the prior year. The \$3 million net change in debt consists of \$5,990,685 in new issues and \$2,960,279 in debt retirements. The City issued \$5

million in new General Obligation Bonds in 2003 for the following purposes: Drainage Improvements - \$3,000,000, Street Paving and Widening - \$1,500,000, and Fire Truck purchase of \$250,000, Other - \$250,000. Also, \$990,685 of new debt was issued for the purpose of making water and sewer improvements.

### **Current know Facts effecting future financial Issues**

Without a doubt, the greatest financial challenge facing this City will be to find resources available to address an aging water and sewer system. The City has identified approximately \$130 million in needed water and sewer renovations and upgrades: \$80 million sewer and \$50 million water. The City has been mandated by the Environmental Protection Agency (EPA) to put together a long range plan (4 years) to address the sewer issue. On October 7, 2003, the City approved a schedule to complete all remaining sewer projects. This schedule has been approved by EPA and identified \$18 million in sewer projects that would be complete from 2004 – 2008. Upgrades of the water system also remains a critical need in order to sustain the City's fire insurance rating and extend potable water to unserved areas.

Of the \$130 million identified in needed water and sewer upgrades and renovations, approximately \$48 million has been funded (\$42 million sewer and \$6 million water) while another \$82 million remains unfunded. The City is seeking out federal grants and is prepared to enact the fees and charges necessary to accomplish this task.

As stated previously, the City has funded \$48 million of combined water and sewer improvements. This funding is from a combination of funding sources: \$790,000 from a Federal Grant, \$25.3 million from the Mississippi State Revolving Loan Fund Program, and \$24.5 million from revenue bonds.

Debt service payments (principal and interest) in the water and sewer fund is projected to increase from its current level of \$5.2 million budgeted for 2004 to \$8.6 million in 2008; representing a \$3.4 million or 58% increase. This increase in debt repayment is unfunded and, absent of any federal or state grants, the city will have to raise the fees and charges necessary to service this debt.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customer, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Comptroller's Office at 228-868-5769. The City's web site is [ci.gulfport.ms.us](http://ci.gulfport.ms.us).

## **BASIC FINANCIAL STATEMENTS**

***Government Wide Financial Statements*** - reports financial information about the entire government presented on an economic resource measurement focus using full accrual basis of accounting.

***Fund Level Financial Statements*** - reports additional detailed information about the government. Three types of funds are reported: governmental funds, proprietary funds, and fiduciary funds.

***Notes to the Financial Statements*** - contain a summary of significant accounting policies and other notes considered for a clear understanding of the financial statements.



*Government-Wide Financial Statements*





**City of Gulfport, Mississippi**  
**Government-Wide Statement of Net Assets**  
**September 30, 2003**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Pooled cash and cash equivalents	\$ 24,065,967	\$ 1,358,101	\$ 25,424,068
Non-pooled cash and cash equivalents	393,423	500	393,923
Cash with fiscal agent	76,212	-	76,212
Investments	1,053,147	117	1,053,264
Receivables (net of allowance for doubtful accounts):			
Taxes	2,375,959	-	2,375,959
Customer accounts	-	3,660,219	3,660,219
Grantee loans	2,406,197	-	2,406,197
Gaming fees	459,998	-	459,998
Gaming privilege license	131,350	-	131,350
Privilege licenses	118,401	-	118,401
For other governments	265,370	-	265,370
Other	103,223	212,911	316,134
Internal balances	54,251	(54,251)	-
Due from other governments	2,184,204	136,948	2,321,152
Prepaid insurance	422,129	-	422,129
Restricted assets:			
Pooled cash and cash equivalents	-	534,613	534,613
Deferred Charges	185,867	2,317,555	2,503,422
Capital assets:			
Land	21,554,581	212,616	21,767,197
Buildings	15,365,799	1,059,673	16,425,472
Equipment	7,661,174	828,324	8,489,498
Vehicles	9,242,778	1,069,846	10,312,624
Improvements	2,701,803	82,852,639	85,554,442
Infrastructure	222,361,086	-	222,361,086
Accumulated depreciation	(73,067,460)	(22,749,298)	(95,816,758)
Other debits:			
Cash - Water and Sewer Improvements	-	12,698,461	12,698,461
<b>Total assets</b>	<b>240,115,459</b>	<b>84,138,974</b>	<b>324,254,433</b>
<b>Liabilities</b>			
Accounts payable	2,859,855	1,441,322	4,301,177
Accrued liabilities	833,356	-	833,356
Accrued salaries	-	3,586	3,586
Accrued interest payable	337,951	836,940	1,174,891
Due to other governments	265,370	-	265,370
Retainage payable	59,820	57,033	116,853
Deferred revenue	1,171,871	-	1,171,871
Performance bonds payable	27,525	-	27,525
Other liabilities	55,289	11,414	66,703
Payable from restricted assets:			
Meter deposits	-	534,613	534,613
Current portion of long-term debt	3,108,924	1,948,086	5,057,010
Noncurrent liabilities:			
Liability for self-insurance claims	2,056,842	-	2,056,842
Revenue bonds payable	-	55,715,000	55,715,000
Claims payable	45,000	-	45,000
Compensated absences payable	1,544,751	9,558	1,554,309
General obligation bonds payable	26,375,000	-	26,375,000
Notes payable	7,358,481	5,778,901	13,137,382
Capital leases payable	490,000	-	490,000
School district bonds payable	445,000	-	445,000
<b>Total liabilities</b>	<b>47,035,035</b>	<b>66,336,453</b>	<b>113,371,488</b>
<b>Net assets</b>			-
Invested in capital assets, net of related debt	168,887,356	(168,187)	168,719,169
Restricted for:			
Encumbrances	1,315,852	-	1,315,852
Donor imposed restrictions	100,000	-	100,000
Debt service	2,872,165	4,000	2,876,165
Unrestricted:			
For subsequent year expenditures	10,494,694	-	10,494,694
Undesignated	9,410,357	17,966,708	27,377,065
<b>Total net assets</b>	<b>\$ 193,080,424</b>	<b>\$ 17,802,521</b>	<b>\$ 210,882,945</b>

*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Government-Wide Statement of Activities**  
**For the Fiscal Year Ended September 30, 2003**

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government activities							
General government	\$ 6,860,506	\$ 2,948,605	\$ 2,633,875	\$ -	\$ (1,278,026)	\$ -	\$ (1,278,026)
Police	17,018,231	253,935	1,194,023	-	(15,570,273)	-	(15,570,273)
Fire	10,721,640	-	-	261,800	(10,459,840)	-	(10,459,840)
Public works	17,725,458	4,675	-	-	(17,720,783)	-	(17,720,783)
Economic development	1,390,045	1,180,199	-	3,279,966	3,070,120	-	3,070,120
Health and welfare	641,419	-	-	-	(641,419)	-	(641,419)
Culture and recreation	4,890,495	565,701	-	7,500	(4,317,294)	-	(4,317,294)
Interest on long term debt	1,542,641	-	-	-	(1,542,641)	-	(1,542,641)
Total governmental activities	60,790,435	4,953,115	3,827,898	3,549,266	(48,460,156)	-	(48,460,156)
Business-type activities:							
Water and sewer	20,280,704	17,751,755	136,948	1,493,199	-	(898,802)	(898,802)
Joseph T. Jones	339,255	371,866	-	-	-	32,611	32,611
Total business-type activities	20,619,959	18,123,621	136,948	1,493,199	-	(866,191)	(866,191)
Total government	81,410,394	23,076,736	3,964,846	5,042,465	(48,460,156)	(866,191)	(49,326,347)

General revenues:

Taxes:			
Ad valorem	19,309,087	-	19,309,087
Sales	17,002,238	-	17,002,238
Gaming	4,477,760	-	4,477,760
Franchise fees	2,832,711	-	2,832,711
Investment earnings	269,580	195,204	464,784
Miscellaneous	867,006	-	867,006
Total general revenue and transfers	44,758,382	195,204	44,953,586
Change in net assets	(3,701,774)	(670,987)	(4,372,761)
Net assets at beginning of year	20,149,050	17,046,358	37,195,408
Prior period adjustments (Note 2)	176,633,148	1,427,150	178,060,298
Net assets- restated	196,782,198	18,473,508	215,255,706
Net assets at end of the year	\$ 193,080,424	\$ 17,802,521	\$ 210,882,945

*The accompanying notes are an integral part of these financial statements.*

## *Fund Level Financial Statements*



**City of Gulfport, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2003**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Pooled cash and cash equivalents	\$ 11,154,312	\$ 10,948,165	\$ 22,102,477
Cash with fiscal agent	-	76,212	76,212
Non-pooled cash and cash equivalents	189,633	203,790	393,423
Receivables:			
Property taxes	134,319	56,669	190,988
Sales taxes	1,462,402	-	1,462,402
Franchise taxes	722,569	-	722,569
Grantee loans	-	2,406,197	2,406,197
Gaming fees	459,998	-	459,998
Gaming privilege licenses	131,350	-	131,350
Privilege licenses	118,401	-	118,401
For other governments	265,370	-	265,370
Other	95,672	-	95,672
Due from other funds	881,014	15,976	896,990
Due from other governments	955,736	1,228,468	2,184,204
Deferred charges	-	98,458	98,458
	<u>\$ 16,570,776</u>	<u>\$ 15,033,935</u>	<u>\$ 31,604,711</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,264,429	\$ 562,571	\$ 2,827,000
Accrued wages payable	833,356	-	833,356
Due to other funds	-	842,739	842,739
Due to other governments	265,370	-	265,370
Deferred revenue	196,522	3,552,106	3,748,628
Retainage payable	-	59,820	59,820
Performance bonds payable	27,525	-	27,525
Other liabilities	-	55,289	55,289
	<u>3,587,202</u>	<u>5,072,525</u>	<u>8,659,727</u>
<b>Fund Balance</b>			
Reserved for encumbrances	901,384	414,468	1,315,852
Reserved for debt service	-	2,872,165	2,872,165
Restricted funds - donor imposed	100,000	-	100,000
Unreserved:			
Designated for subsequent year expenditures	1,381,770	6,674,777	8,056,547
Undesignated	10,600,420	-	10,600,420
	<u>12,983,574</u>	<u>9,961,410</u>	<u>22,944,984</u>
<b>Total liabilities and fund balance</b>	<u>\$ 16,570,776</u>	<u>\$ 15,033,935</u>	<u>\$ 31,604,711</u>

*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2003**

Total fund balance- total governmental funds	\$	22,944,984
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		205,819,761
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Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		2,576,757
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Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(337,951)
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Bond issuance costs net of amortization.		87,409
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Internal service funds are used by management to charge the cost of certain activities, such as employee health care and life insurance benefits and workman's compensation and general liability claims, to individual funds. The assets and liabilities of the Internal Service Funds are

Internal Service Fund balances not included in other reconciling items:

Current assets	\$	3,446,317	
Accounts Payable		(32,855)	
Estimated health claims payable		(2,056,842)	
Net amount allocated to business-type activities		-	1,356,620

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the government funds balance sheet.:

Due within one year	\$	3,108,924	
Due in more than one year		36,258,232	(39,367,156)

Net assets of governmental activities	\$	193,080,424
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*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Governmental Funds**  
**For Fiscal Year Ended September 30, 2003**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes:			
Property	\$ 13,654,704	\$ 5,654,383	\$ 19,309,087
Sales	17,002,238	-	17,002,238
Franchise	2,832,711	-	2,832,711
Gaming	4,477,760	-	4,477,760
Licenses and permits	1,783,718	-	1,783,718
Intergovernmental	3,742,887	5,350,316	9,093,203
Charges for services	1,204,168	-	1,204,168
Fines and forfeits	1,965,229	-	1,965,229
Interest	124,752	144,828	269,580
Miscellaneous	777,177	89,829	867,006
Total revenues	<u>47,565,344</u>	<u>11,239,356</u>	<u>58,804,700</u>
<b>Expenditures</b>			
Current:			
General government	6,743,365	-	6,743,365
Public safety	25,598,526	1,397,859	26,996,385
Public works	7,904,706	-	7,904,706
Economic development	1,452,673	-	1,452,673
Health and welfare	-	639,332	639,332
Culture and recreation	4,370,787	505,806	4,876,593
Capital outlay	-	9,293,255	9,293,255
Debt service:			
Principal	-	2,643,638	2,643,638
Interest	-	1,442,812	1,442,812
Other	-	43,038	43,038
Total expenditures	<u>46,070,057</u>	<u>15,965,740</u>	<u>62,035,797</u>
Excess (deficiency) of revenues over expenditures	<u>1,495,287</u>	<u>(4,726,384)</u>	<u>(3,231,097)</u>
<b>Other financing sources (uses):</b>			
Transfers in	15,675	195,450	211,125
Transfers out	(195,450)	(15,675)	(211,125)
Loan proceeds	-	1,079,779	1,079,779
Bond proceeds	-	5,000,000	5,000,000
Bond issue costs	-	(89,650)	(89,650)
Sale of general fixed assets	36,902	-	36,902
Total other financing sources (uses)	<u>(142,873)</u>	<u>6,169,904</u>	<u>6,027,031</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,352,414	1,443,520	2,795,934
Fund balance - October 1	<u>11,631,160</u>	<u>8,517,890</u>	<u>20,149,050</u>
Fund balance - September 30	<u>\$ 12,983,574</u>	<u>\$ 9,961,410</u>	<u>\$ 22,944,984</u>

*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2003**

Net change in fund balance-total governmental funds	\$ 2,795,934
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated lives as depreciation expense. This is the amount of capital assets recorded in the current period.	2,814,566
The net effect of various transactions involving capital assets (i.e., sales, trade ins, and contributions) is to increase net assets.	(78,328)
Depreciation expense on capital assets is reported on the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(4,870,040)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,348,732)
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	350,303
Some grant revenues will not be received for several months after the city's fiscal year end, they are not considered "available" revenues in the governmental funds.	(1,716,039)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	(99,829)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities and depreciation expense.	
Change in Net Assets	450,391
Net of amount allocated to business-type activities	-
Change in net assets of governmental activities	<u>\$ (3,701,774)</u>

*The accompanying notes are an integral part of these financial statements.*



**City of Gulfport, Mississippi**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2003**

Page 1 of 2

	Business Type Activities - Enterprise Funds			Governmental Activities
	Non-major Fund		Totals	Internal
	Water and Sewer	Joseph T. Jones Park	2003	Service Funds
<b>Assets</b>				
<b>Current Assets</b>				
Pooled cash and cash equivalents	\$ 924,328	\$ 433,773	\$ 1,358,101	\$ 1,963,490
Non-pooled cash and cash equivalents	500	-	500	-
Investments	117	-	117	1,053,147
Receivables:				
Accounts, (net of allowance for uncollectible accounts)	1,366,224	9,093	1,375,317	-
Customer accounts accrued but not billed	2,284,902	-	2,284,902	-
Other	212,911	-	212,911	7,551
Prepaid items	-	-	-	422,129
Due from other governments	136,948	-	136,948	-
 Total unrestricted current assets	 4,925,930	 442,866	 5,368,796	 3,446,317
<b>Restricted Assets</b>				
Pooled cash and cash equivalents	534,613	-	534,613	-
 <b>Noncurrent Assets</b>				
Land	149,313	63,303	212,616	-
Buildings	139,619	920,054	1,059,673	-
Improvements other than buildings	82,006,857	845,782	82,852,639	-
Machinery and equipment	828,324	-	828,324	-
Vehicles	1,046,982	22,864	1,069,846	-
	84,171,095	1,852,003	86,023,098	-
Less accumulated depreciation	(21,834,854)	(914,444)	(22,749,298)	-
 Net property, plant and equipment	 62,336,241	 937,559	 63,273,800	 -
<b>Other Assets</b>				
Cash - Water and Sewer Improvements	12,698,461	-	12,698,461	-
Deferred charges	2,317,555	-	2,317,555	-
Total other assets	15,016,016	-	15,016,016	-
 Total assets	 \$ 82,812,800	 \$ 1,380,425	 \$ 84,193,225	 \$ 3,446,317

*The accompanying notes are an integral part of these financial statements*

**City of Gulfport, Mississippi**  
**Statement on Net Assets**  
**Proprietary Funds**  
**September 30, 2003**

Page 2 of 2

	Business Type Activities - Enterprise Funds			Governmental Activities
	Non-major Fund		Totals	Internal
	Water and Sewer	Joseph T. Jones Park	2003	Service Funds
<b>Liabilities and Fund Net Assets</b>				
<b>Current Liabilities</b>				
(Payable from current assets)				
Accounts payable	\$ 1,433,129	\$ 8,193	\$ 1,441,322	\$ 32,855
Estimated health claims payable	-	-	-	2,056,842
Accrued salaries	719	2,867	3,586	-
Accrued interest payable	836,940	-	836,940	-
Compensated absences payable	4,018	5,540	9,558	-
Due to other funds	54,251	-	54,251	-
Retainage payable	57,033	-	57,033	-
Other liabilities	5,606	5,808	11,414	-
Bonds payable - current	1,490,000	-	1,490,000	-
Notes payable - current	458,086	-	458,086	-
Total current liabilities payable from current assets	4,339,782	22,408	4,362,190	2,089,697
<b>Current Liabilities</b>				
(Payable from restricted assets)				
Meter deposits	534,613	-	534,613	-
<b>Noncurrent Liabilities</b>				
Bonds payable	55,715,000	-	55,715,000	-
Notes payable - State of Mississippi	5,778,901	-	5,778,901	-
Total long-term liabilities	61,493,901	-	61,493,901	-
Total liabilities	66,368,296	22,408	66,390,704	-
<b>Net Assets</b>				
Invested in capital assets, net of related debt	(1,105,746)	937,559	(168,187)	-
Restricted for revenue bond indentures	4,000	-	4,000	-
Unrestricted	17,546,250	420,458	17,966,708	1,356,620
Total net assets	\$ 16,444,504	\$ 1,358,017	\$ 17,802,521	\$ 1,356,620

*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2003**

	Business Type Activities - Enterprise Funds			Governmental Activities
	Non-major Fund			
	Water and Sewer	Joseph T. Jones	Totals	Internal Service Funds
<b>Operating Revenues</b>				
Intergovernmental	\$ 136,948	-	\$ 136,948	-
Employee contributions	-	-	-	645,047
Retiree contributions	-	-	-	65,911
Employer contributions	-	-	-	4,705,185
Insurance claims reimbursement	-	-	-	90,241
Charges for services	17,751,755	371,698	18,123,453	-
Miscellaneous	-	168	168	-
Total operating revenues	17,888,703	371,866	18,260,569	5,506,384
<b>Operating Expenses</b>				
Personal services	55,406	215,939	271,345	232,128
Contractual services	3,309,565	1,998	3,311,563	9,250
Materials and supplies	960,947	12,107	973,054	-
Premium payments	-	-	-	1,471,951
Claims paid-worker's compensation	-	-	-	459,416
Claims paid-worker's compensation	-	-	-	3,063,464
Increase (decrease) in provision for self-insurance losses	-	-	-	(82,472)
Other services and charges	10,766,255	77,093	10,843,348	-
Depreciation	1,589,771	18,396	1,608,167	-
Amortization	117,268	-	117,268	-
Bad debts	106,359	13,722	120,081	-
Total operating expenses	16,905,571	339,255	17,244,826	5,153,737
Operating income (loss)	983,132	32,611	1,015,743	352,647
<b>Non-operating Revenues</b>				
Interest income	189,555	5,649	195,204	97,744
Interest expense	(3,374,757)	-	(3,374,757)	-
Loss on sale of capital assets	(376)	-	(376)	-
Total nonoperating revenues (expenses)	(3,185,578)	5,649	(3,179,929)	97,744
Income (loss) before contributions and transfers	(2,202,446)	38,260	(2,164,186)	450,391
Capital contributions	1,493,199	-	1,493,199	-
Change in net assets	(709,247)	38,260	(670,987)	450,391
Net Assets - October 1	15,698,894	1,347,464	17,046,358	906,229
Prior Period Adjustment (Note 19)	1,454,857	(27,707)	1,427,150	-
Net Assets - October 1, as restated	17,153,751	1,319,757	18,473,508	906,229
Net Assets - September 30	\$ 16,444,504	\$ 1,358,017	\$ 17,802,521	1,356,620

*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For Fiscal Year Ended September 30, 2003**

Page 1 of 2

	Business Type Activities - Enterprise Funds			Governmental Activities
	Non-major Fund			
	Water and Sewer	Joseph T. Jones	Totals	Internal Service Fund
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 17,543,751	\$ 359,707	\$ 17,903,458	-
Cash received from other governments	90,209	-	90,209	-
Cash received from employees and others	-	-	-	710,958
Cash received from insurance companies	-	-	-	82,689
Cash received from employer	-	-	-	4,705,185
Other operating receipts	-	168	168	-
Cash paid to suppliers	(14,635,865)	(92,525)	(14,728,390)	(5,169,201)
Cash paid to employees	(58,421)	(218,065)	(276,486)	-
Cash received from customer meter deposits, net	79,613	-	79,613	-
Net cash provided by (used in) operating activities	3,019,287	49,285	3,068,572	329,631
<b>Cash flows from non-capital financing activities</b>				
Transfers from other funds	15,976	-	15,976	-
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	(2,470,728)	-	(2,470,728)	-
Other receivables	(212,911)	-	(212,911)	-
Disposition of capital assets	-	-	-	-
Proceeds from debt issuance	990,685	-	990,685	-
Bond issue costs	-	-	-	-
Principal paid on revenue bond maturities and notes payable	(1,490,279)	-	(1,490,279)	-
Interest paid on bonds and notes payable	(3,344,217)	-	(3,344,217)	-
Change in fair value of investments	-	-	-	(25,257)
Proceeds from sale of assets	4,185	-	4,185	-
Net cash used in capital and related financing activities	(6,523,265)	-	(6,523,265)	(25,257)
<b>Cash flows from investing activities</b>				
Purchase of investments	-	-	-	-
Proceeds from sale of investments	435,818	-	435,818	-
Interest received	189,555	5,649	195,204	97,744
Net cash used from investing activities	625,373	5,649	631,022	97,744
Net increase (decrease) in cash and cash equivalents	(2,862,629)	54,934	(2,807,695)	402,118
Cash and cash equivalents - October 1	17,020,531	378,841	17,399,372	1,561,372
Cash and cash equivalents - September 30	\$ 14,157,902	\$ 433,775	\$ 14,591,677	\$ 1,963,490

The accompanying notes are an integral part of these financial statements.

**City of Gulfport, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For Fiscal Year Ended September 30, 2003**

Page 2 of 2

	Business Type Activities - Enterprise Fund			Governmental Activities
	Non-Major Fund			
	Water and Sewer	Joseph T. Jones	Totals	Internal Service Funds
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 983,132	\$ 32,611	\$ 1,015,743	\$ 352,647
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,589,771	18,396	1,608,167	
Amortization	117,268	-	117,268	
Bad debts	106,359	13,722	120,081	
(Increase) decrease in assets:				
Accounts receivable	(208,004)	(11,991)	(219,995)	
Other receivables	-	-	-	(7,551)
Prepaid assets	-	-	-	134,502
Due from other governments	(46,739)	-	(46,739)	
Increase (decrease) in liabilities:				
Accounts payable	414,562	41	414,603	32,505
Other Liabilities	(13,660)	(1,368)	(15,028)	(182,472)
Meter deposit liability	79,613	-	79,613	
Accrued salaries	(468)	52	(416)	
Compensated absences payable	(2,547)	(2,178)	(4,725)	
 Net cash provided by (used in) operating activities	 \$ 3,019,287	 \$ 49,285	 \$ 3,068,572	 \$ 329,631
<b>Non-cash investing, capital and financing activities:</b>				
Contributed capital	\$ 1,493,199	\$ -	\$ 1,493,199	

**Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net assets**

	Other Assets	Restricted Assets	Current Assets	Total 2003
Cash and cash equivalents - October 1	\$ 13,950,637	\$ 456,752	\$ 2,991,983	\$ 17,399,372
Net increase (decrease)	(1,252,176)	77,861	(1,633,380)	(2,807,695)
Cash and cash equivalents - September 30	\$ 12,698,461	\$ 534,613	\$ 1,358,603	\$ 14,591,677

*The accompanying notes are an integral part of these financial statements.*



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*Notes to the Financial Statements*





**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. General Statement**

The City of Gulfport, Mississippi, (the "City") was incorporated on July 28, 1898 under the laws of the State of Mississippi. The City operates under a Mayor-Council form of government. The following services are provided by the City: Public Safety (Police, Fire and Protection/Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Social and Recreational, Public Improvements, Planning and Zoning, and General Administrative Services.

The City complies with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainders of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2003.

**B. Financial Reporting Entity**

The City is a charter city in which citizens elect the mayor at large and seven council members by wards. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Based on these criteria, it has been determined that the City has no component units.

See Note 17 for information describing related organizations not included in the City's reporting entity.

**C. Basis of Presentation**

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues instead as general revenues.

Fund Financial Statements -

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental fund:

**General Fund –**

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus; and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

**Water and Sewer Fund –**

Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the City reports the Internal Service Funds which are used to account for the self funded property and casualty self insurance, workman's compensation, and self funded health and disability insurance provided to departments of the city.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected but unsettled at year-end. A two-month availability period is used for recognition of most other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are franchise taxes, sales taxes and gaming revenues collected and held by the State at year-end on behalf of the City, grants and interest revenues. Licenses and permits, certain charges for services, fines and forfeits and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable or available until actually received.

**E. Cash and Investments**

The City's cash and cash equivalents are primarily considered to be cash on hand, amounts in demand deposits and certain money market mutual funds. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered cash equivalents.

The City maintains and controls a major cash pool in which the majority of the City's funds share. Each fund's portion of the pool is displayed on their respective balance sheet as "pooled cash and cash equivalents", some of which are restricted assets. In addition, non-pooled cash is separately held and reflected in their respective funds as "non-pooled cash and cash equivalents".

State statutes authorize the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral and (3) obligations of the State of Mississippi; or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court.

Investments are recorded at fair value in accordance with GASB statement 31 with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned.

Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F.     Receivables**

All trade receivables are shown net of an allowance for uncollectibles. An allowance in the amount of \$4,326,828 at September 30, 2003 has been provided in the Water and Sewer Enterprise Fund for estimated uncollectible utility charges. The allowance is based on trade receivables in excess of 90 days outstanding.

An allowance for estimated uncollectible rental fees has been established in the Joseph T. Jones Fund based upon historical collection experience and other relevant circumstances. The allowance for estimated uncollectible receivables at September 30, 2003 is \$62,353.

**G.     Interfund Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

**H.     Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**I.     Prepaid Items**

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year; and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

**J.     Restricted Assets**

Each customer deposits funds with the City when a water and sewer account is opened. These funds are restricted due to the deposits and are held by the City until the customer account is closed, at which time the amounts are refundable to the customer.

**K.     Capital Assets**

Capital assets, which include property, plant, and equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at estimated fair market value at the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been provided over the estimated useful lives using the straight-line method. The following estimated useful lives for proprietary fund assets are used to compute depreciation:

Buildings	40 years
Water and Sewer system	50 years
Infrastructure	60 years
Improvements	10-25 years
Machinery and equipment	5-10 years
Vehicles	5 years

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**M. Nature and Purpose of Reservations and Designations of Fund Equity**

The fund equity reserves for donor-imposed restrictions, debt service, encumbrances, are discussed in Note 13. The fund equity designation for subsequent year's expenditures primarily represents Streets and Drainage, Parks and Recreation and General Public Facilities fund balances specifically identified for capital outlays.

**N. Compensated Absences**

City policy allows employees to accumulate all unused vacation, compensatory (comp time) and sick leave. Retiring and terminating employees covered under the Disability and Relief-Municipal Retirement System are paid for all unused vacation, sick leave, and unused comp time. All other employees are paid for up to 30 days of unused vacation and all unused comp time upon retirement or termination, while excess vacation and all accumulated sick leave remaining are counted as creditable service toward retirement. Accumulated unpaid vacation and comp time amounts are accrued when incurred in proprietary funds and reported as a fund liability. Amounts not expected to be liquidated with expendable available financial resources are recorded in the General Long-Term Debt Account Group.

The compensated absences liability was computed using the specific identification method whereby the applicable number of vacation and sick hours and all compensatory hours are multiplied by the employee's hourly rate at September 30, 2003. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Post Employment Health Care Benefits**

The City does not have costs associated with post-employment benefits for retired employees. The City does allow employees to continue in the group plan after retirement; however, the retired employees pay all premiums.

**P. Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2: CHANGES IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF FUND BALANCE**

For the fiscal year ended September 30, 2003, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

At September 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at September 30, 2002, caused by the conversion to GASB No. 34.

GASB No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 2: CHANGES IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF FUND BALANCE**  
**(Continued)**

	Governmental Funds
Fund balances, 9/30/02	
As originally presented	\$ 20,149,050
 GASB Interpretation #6	
Compensated absences payable	(1,895,054)
 GASB #34 adjustment	
Capital assets	207,953,563
Accrued Interest payable	(238,122)
Long term liabilities	(34,341,264)
Fireman's life fund	(45,000)
Deferred revenue	4,292,796
Internal service balance	<u>906,229</u>
 Governmental Activities	
Net assets, September 30, 2003	<u><u>\$ 196,782,198</u></u>

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Data**

The procedures used by the City in establishing the budgetary data recorded in the general purpose financial statements are as follows:

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division by June 1 each year.
3. The Finance Division reviews expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. The budget is formally amended in July each year, if necessary. However, budget revisions are made throughout the year (prior to July), as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types. Budgets for the Governmental Funds and the Internal Service Funds are prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for the Enterprise Funds are prepared on a modified accrual basis (i.e. exclude depreciation and bad debt expense and include principal debt payments and capital outlay).

The legal level of control for all budgets adopted is at the fund level with the exception of the General Fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

The Finance Division of the Department of Administration exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without City Council approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are incorporated into the City's purchasing system. Purchase requisitions entered into the computer system that will cause a line item to exceed its budget will automatically be disallowed. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

10. Encumbrance accounting, under which executed but unperformed purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and are reappropriated in the next year's budget.
11. Unexpended appropriations lapse at year-end in all funds.

**NOTE 4: PROPERTY AND GAMING TAX REVENUES**

**(A) Property Tax**

Harrison County bills and collects the real, personal, and auto ad valorem taxes for the City. Taxes on real and personal property are levied by the City Council at the first regular meeting in September for the ensuing fiscal year, which begins on October 1. Restrictions associated with property tax levies vary with the statutory authority. State law limits the amount of increase in certain property taxes. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount that resulted from the assessments of the previous year plus new construction.

Real property taxes become a lien on January 1 and personal property taxes become a lien on March 1 of the current calendar year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All taxes are remitted monthly to the City. In addition, Harrison County also remits to the City a prorata share of road and bridge taxes collected by the County. Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year-end is also considered immaterial.



**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 4: PROPERTY AND GAMING TAX REVENUES (Continued)**

The rates are expressed in terms of mills (i.e. ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2003 was 34.00 mills or \$34.00 per \$1,000 of assessed valuation. A summary of the assessed valuations and tax levies of the City for the year ended September 30, 2003 have been provided below. The tax levies have been shown comparative with the previous year for informational purposes.

State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not a part of the reporting entity. As provided, the municipality must levy specified ad valorem taxes as directed by the other governing authority and turn all proceeds over to it. Accordingly, taxes for the Gulfport School District are also billed and collected by the County and remitted to the City for disbursement to the School District.

Ad valorem taxes collected and settled in accordance with this legal requirement are not recognized as revenues and expenditures of the municipality. The tax levies noted below with respect to the school funds were made in accordance with this legal requirement.

**(B) Gaming Tax Revenues**

In the early part of 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In May of 1993, the first casino opened in Gulfport. As of September 30, 2003 there were two casinos operating within the City. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City receive .4 to .8 percent. This tax is divided: 63% to the County and 37% to the City. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City, through local ordinance in accordance with State law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the City (20% of which is designated for public safety); 20% to the Gulfport Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the City's governmental funds for fiscal years ended September 30:

	<u>2003</u>	<u>2002</u>
Local casino revenue	\$ 121,103,938	\$ 117,465,597
	<u>x3.2%</u>	<u>x 3.2%</u>
Local option tax levy	3,875,326	3,758,898
Plus: local share of State levy	<u>602,434</u>	<u>639,291</u>
Total gaming taxes	4,477,760	4,398,198
Plus: gaming privilege licenses	<u>381,795</u>	<u>385,800</u>
Total gaming revenues	<u>\$ 4,859,555</u>	<u>\$ 4,783,989</u>

**(C) Sales Tax Revenues**

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Gulfport) back to the City monthly. Tax revenue reported in the General Fund includes \$16,951,765 of sales tax revenue.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 5: CASH AND OTHER DEPOSITS, CASH WITH FISCAL AGENTS, AND INVESTMENTS**

**(A) Cash and Other Deposits**

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the city's deposits with financial institutions was \$34,149,275, and the bank balance was \$39,583,123.

Cash in Water and Sewer of \$13,622,789 is classified as an Other Asset as to not distort working capital.

**(B) Investments**

Investing is performed in accordance with investment policies complying with State Statutes (See Note 1.IV.A). The City's investments are categorized into three categories of credit risk:

- (1) Insured or registered, with securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the City's name.

At September 30, 2003, the City's surplus funds that were not invested in overnight sweep repurchase agreements (considered short term and reported above as cash) were invested in Federated U.S. Cash Reserves Mutual Funds. A summary of the City's investments at September 30, 2003 is as follows:

	<u>Fair Value</u>
<u>Internal Service Fund</u>	
Federated U.S. Cash	
Reserves Mutual Funds	\$1,053,147
<u>Water and Sewer Fund</u>	
Daily Income Govt. II	<u>117</u>
Total	<u>\$ 1,053,264</u>

**(C) Cash with Fiscal Agents**

The carrying amount of city's cash with fiscal agents held by financial institutions was \$76,212. The entire amount was insured or collateralized with securities held by the financial institutions in the city's name.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 6: RECEIVABLES**

The combined balance sheet of the City includes the following receivables at September 30, 2003:

	General Fund	Non Major Funds
<u>Governmental Activities</u>		
Taxes receivable:		
Sales tax	\$ 1,462,402	\$ -
Franchise taxes	722,569	-
Gaming revenues	459,998	-
Gaming privilege license	131,350	-
Property taxes	134,319	-
For other governments	265,370	-
Other receivables:		
Privilege licenses	118,401	-
Miscellaneous	95,672	-
Grantee loans:		
HUD Rehab loans	-	2,314,234
Rental Rehab loans	-	91,963
Total receivables	<u>\$ 3,390,081</u>	<u>\$ 2,406,197</u>
		<u>Water &amp; Sewer Fund</u>
<u>Business Type Activities</u>		
Accounts receivable:		
Water and sewer utility charges billed but uncollected		\$ 5,693,052
Water and sewer utility charges accrued but unbilled at year end		2,284,902
Harbor berth rentals		<u>71,446</u>
Total gross receivables		8,049,400
Less: allowance for uncollectibles		<u>(4,389,181)</u>
Net total accounts receivable		<u>\$ 3,660,219</u>

The City has received certain grant awards for community and economic development from the U.S. Department of Housing and Urban Development (HUD) and the State of Mississippi for the purposes of providing certain loan programs. These loans, included in the above receivables summary as Grantee Loans, are described as follows:

Rehabilitation Loans - The purpose of this grant is to provide home improvement loans to qualifying individuals. At September 30, 2003, there were 55 individual loans outstanding totaling \$769,116 bearing interest at rates primarily between 0% and 3% depending on the type of loan.

Economic Development Loans - The purpose of this grant is to provide economic development loans to new businesses in the City that meet specific requirements established by the grant. At September 30, 2003, there were two loans outstanding totaling \$1,545,118 bearing interest at 3% per annum.

Rental Rehabilitation Loans - The purpose of this grant is to provide rehabilitation loans to owners renovating low to moderate-income rental housing units. At September 30, 2003, there were 3 loans outstanding totaling \$91,963 with an interest rate of 3% per annum.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 6: RECEIVABLES (Continued)**

The City has designated the principal and interest payments on these to be used for additional loans and, accordingly, have been recorded as deferred revenue until the program is terminated and the remaining funds returned to the grantor or taken into income.

The City has not provided an allowance for uncollectible loans due to the revolving nature of the programs. Activity in the programs for the year is as follows:

	<u>Programs</u>			
	<u>Rehab Loans</u>	<u>Economic Development Loans</u>	<u>Rental Rehab Loans</u>	<u>Total</u>
Balance, October 1, 2002	\$ 787,755	\$ 1,545,118	\$ 91,963	\$ 2,424,836
Plus: new loans added	-	-	-	-
Less: principal payments	<u>(18,639)</u>	<u>-</u>	<u>-</u>	<u>(18,639)</u>
Balance, September 30, 2003	<u>\$ 769,116</u>	<u>\$ 1,545,118</u>	<u>\$ 91,963</u>	<u>\$ 2,406,197</u>

**NOTE 7: INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances at September 30, 2003 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
General Fund	\$ 881,014	\$ -
Water and Sewer Fund	-	54,251
Non-major Funds:	<u>15,976</u>	<u>842,739</u>
Totals	<u>\$ 896,990</u>	<u>\$ 896,990</u>

In addition to the above interfund loans, the following transfers were made between funds during the year ended September 30, 2003:

	<u>Transfers to Other Funds</u>	<u>Transfers From Other Funds</u>
Major Funds:		
General Fund	\$ 195,450	\$ 15,675
Non-Major Funds:	<u>15,675</u>	<u>195,450</u>
Totals	<u>\$ 211,125</u>	<u>\$ 211,125</u>

The City's Water & Sewer Fund and Joseph T. Jones Fund (business-type funds) pay a management fee to the General Fund to cover various costs such as administrative salaries, occupancy costs, etc. Such fees totaled \$91,670 or the year ended September 30, 2003 and has been included in "Charges for Services" revenue on the General Fund and in "Other Services and Charges" expenditures on the Water & Sewer Fund and the Joseph T. Jones Fund.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 8: FIXED ASSETS**

Capital asset activity for the year ended September 30, 2003 was as follows:

	Balance October 1	Additions	Retirements	Balance September 30
<u>Governmental Activities:</u>				
Capital assets not being depreciated				
Land	\$ 21,554,581	\$ -	\$ -	\$ 21,554,581
Total Capital assets not being depreciated	<u>21,554,581</u>	<u>-</u>	<u>-</u>	<u>21,554,581</u>
Capital assets, being depreciated				
Buildings	15,365,799	-	-	15,365,799
Improvements	2,342,363	359,440	-	2,701,803
Infrastructure	220,685,090	1,675,996	-	222,361,086
Machinery and equipment	7,334,931	404,986	(78,743)	7,661,174
Vehicles	<u>9,167,946</u>	<u>374,144</u>	<u>(299,312)</u>	<u>9,242,778</u>
Total capital assets being depreciated	<u>254,896,129</u>	<u>2,814,566</u>	<u>(378,055)</u>	<u>257,332,640</u>
Less accumulated depreciation for:				
Land	-	-	-	-
Buildings	(4,317,830)	(295,712)	-	(4,613,542)
Improvements	(415,361)	(107,245)	-	(522,606)
Infrastructure	(55,452,704)	(2,558,879)	-	(58,011,583)
Machinery and equipment	(2,507,448)	(848,511)	58,242	(3,297,717)
Vehicles	<u>(5,803,804)</u>	<u>(1,059,693)</u>	<u>241,485</u>	<u>(6,622,012)</u>
Total accumulated depreciation	<u>(68,497,147)</u>	<u>(4,870,040)</u>	<u>299,727</u>	<u>(73,067,460)</u>
Total capital assets, being depreciated net	<u>186,398,982</u>	<u>(2,055,474)</u>	<u>(78,328)</u>	<u>184,265,180</u>
Governmental activities, capital assets, net	<u>\$ 207,953,563</u>	<u>\$ (2,055,474)</u>	<u>\$ (78,328)</u>	<u>\$205,819,761</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 8: FIXED ASSETS (Continued)**

	Balance October 1	Additions	Retirements	Adjustments	Balance September 30
Business-type activities:					
Capital assets not being depreciated					
Land	\$ 212,616	\$ -	\$ -	\$ -	\$ 212,616
Total Capital assets not being depreciated	<u>212,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,616</u>
Capital assets being depreciated					
Buildings	1,059,673				1,059,673
Improvements	79,028,789	3,889,172		(65,322)	82,852,639
Machinery & Equipment	1,117,204	50,132	(45,612)	(293,400)	828,324
Vehicles	<u>938,695</u>	<u>149,385</u>		<u>(18,232)</u>	<u>1,069,848</u>
Total capital assets being depreciated	<u>82,144,361</u>	<u>4,088,689</u>	<u>(45,612)</u>	<u>(376,954)</u>	<u>85,810,484</u>
Less accumulated depreciation for:					
Buildings	(248,050)	(21,192)		48,125	(221,117)
Improvements	(21,428,326)	(1,440,263)		1,624,027	(21,244,562)
Machinery & Equipment	(770,768)	(83,630)		302,558	(551,840)
Vehicles	<u>(722,131)</u>	<u>(120,809)</u>	<u>41,051</u>	<u>70,110</u>	<u>(731,779)</u>
Total accumulated depreciation	<u>(23,169,275)</u>	<u>(1,665,894)</u>	<u>41,051</u>	<u>2,044,820</u>	<u>(22,749,298)</u>
Total capital assets being depreciated, net	<u>58,975,086</u>	<u>2,422,795</u>	<u>(4,561)</u>	<u>1,667,866</u>	<u>63,061,186</u>
Business-type activities capital assets, net	<u>\$ 59,187,702</u>	<u>\$ 2,422,795</u>	<u>\$ (4,561)</u>	<u>\$ 1,667,866</u>	<u>\$ 63,273,802</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government	\$ 266,194
Police	483,247
Fire	972,793
Public works	3,020,812
Economic development	10,848
Culture and recreation	<u>84,576</u>
Total depreciation expense- Governmental activities	<u>\$ 4,870,040</u>
Business-type activities:	
Water and sewer	\$ 1,589,771
Joseph T. Jones	<u>18,396</u>
Total depreciation expense-Business type activities	<u>\$ 1,608,167</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 9: LONG-TERM DEBT**

**(A) Governmental Activities**

Transactions for the Year Ended September 30, 2003 are summarized as follows:

Payable at Governmental Activities	10/01/02	Additions	Reductions	Payable at 9/30/03
General Obligation Bonds	\$ 24,650,000	\$ 14,580,000	\$ 11,050,000	\$ 28,180,000
School District Bonds	1,210,000	-	365,000	845,000
Notes payable	7,301,264	1,079,779	488,638	7,892,405
Capital Leases	1,180,000	-	320,000	860,000
Compensated absences	1,895,054	-	350,303	1,544,751
Claims and judgments	45,000	-	-	45,000
Total Governmental Activities	<u>\$ 36,281,318</u>	<u>\$ 15,659,779</u>	<u>\$ 12,573,941</u>	<u>\$ 39,367,156</u>

**(1) General Obligation and School District Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for City and School District activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City remains contingently liable on all school bond obligations issued prior to 1987, although debt service requirements are financed from school bond and interest tax millage. For the year ended September 30, 2003, the School District paid \$470,875 of principal and interest on these bonds. Such payments have been reflected in the City's General Bond and Interest Fund as intergovernmental revenue and debt service expenditures. The City reflects the outstanding portion of such obligations within its General Long-Term Debt due to its contingent obligation for such debt and because the School District has not reflected such debt within its annual financial statements. Debt obligations of the School District issued subsequent to 1986 pledge the full faith and credit of the School District only and, therefore, are not reflected in these financial statements.

General obligation bonds generally are issued as serial bonds with certain amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Original Amount	Issue Date	Interest Rate	Outstanding Amount
School District	\$ 4,380,000	9/10/85	8.00-11.0	\$ 845,000
General government- Refunding Issue	1,895,000	9/12/95	7.00-7.80	1,035,000
General government	8,500,000	8/01/96	4.75-6.60	6,895,000
General government	6,000,000	7/01/98	4.40-6.00	5,045,000
General government	1,000,000	5/01/00	5.20	760,000
General government Refunding Issue	9,445,000	12/01/02	2.00-5.00	9,445,000
General government	<u>5,000,000</u>	4/01/03	3.50-4.25	<u>5,000,000</u>
	<u>\$ 36,230,000</u>			<u>\$ 29,025,000</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 9: LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 2,205,000	\$ 1,334,554	\$ 3,539,554
2005	2,320,000	1,217,054	3,537,054
2006	1,970,000	1,099,806	3,069,806
2007	2,060,000	1,018,635	3,078,635
2008	2,175,000	931,364	3,106,364
2009-2013	11,055,000	3,170,834	14,225,834
2014-2018	5,555,000	1,071,984	6,626,984
2019-2023	<u>1,685,000</u>	<u>218,585</u>	<u>498,436</u>
Totals	<u>\$ 29,025,000</u>	<u>\$ 10,062,816</u>	<u>\$ 39,087,816</u>

(2) General Obligation Notes

The City issued general obligation notes to provide funding for various capital improvement projects. The notes are also direct obligations of the City and pledge the full faith and credit of the City. General obligation notes currently outstanding are as follows:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>
State of Mississippi CAP Revolving Fund, 15 year note, \$922,903, to construct fire stations in the annexed area	8/4/97	3.7%	\$ 604,238
State of Mississippi CAP Revolving Fund, 15 year note, \$425,000, to construct fire stations in the annexed area	8/4/97	3.7%	278,244
Whitney National Bank, Negotiable Note Series 1998, 5 year note, \$336,000, to purchase building for police department	11/6/98	4.1%	73,900
Hancock Bank, Mississippi Development 20 year Promissory Note, \$10,000,000, authorized ( \$2,500,000 for flood acquisition, and \$7,500,000 for general capital projects) only \$7,900,000 \$420,221 is reported on business-type activities. TBMA - The Bond Market Association Index	12/01/00	1.05% over TBMA	<u>6,936,023</u>
Total			<u>\$ 7,892,405</u>



**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 9: LONG-TERM DEBT (Continued)**

The annual debt service requirements to maturity for the general obligation notes are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 533,925	\$ 181,772	\$ 715,697
2005	463,262	164,073	627,335
2006	466,622	152,747	619,369
2007	470,108	141,295	611,403
2008	473,726	129,712	603,438
2009-2011	2,288,629	472,631	2,761,260
2012-2018	1,869,945	242,473	2,112,418
2019-2023	<u>1,326,188</u>	<u>51,591</u>	<u>1,377,779</u>
Totals	<u>\$ 7,892,405</u>	<u>\$ 1,536,294</u>	<u>\$ 9,428,699</u>

(3) General Capital Lease Obligation

The City has entered into a lease agreement as lessee for financing the acquisition of a new computer system and signage at the Sportsplex complex. The lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The following lease obligation is currently outstanding:

<u>Description</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Effective Interest Rate</u>	<u>Outstanding Present Value</u>
General government computer lease	\$ 1,100,000	5/22/00	5.29%	\$ 500,000
Sportsplex sinage	600,000	10/1/01	3.596%	<u>360,000</u>
Total				<u>\$ 860,000</u>

The following is an analysis of property leased under capital leases as of September 30, 2003:

	<u>Cost</u>
Machinery and equipment	\$ 1,100,000
Signage	<u>600,000</u>
Total	<u>\$ 1,700,000</u>

These leased assets are included in Equipment under General and Culture and Recreation.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 9: LONG-TERM DEBT (Continued)**

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2003:

<u>Year Ending September 30</u>	<u>Total</u>
2004	\$ 432,946
2005	515,909
2006	<u>124,315</u>
Total	1,073,170
Less amount representing interest	<u>(213,170)</u>
Present value of future minimum lease payments	<u>\$ 860,000</u>

(5) Compensated Absences

The City's policies relative to compensated absences, method of computing accrued liabilities and reporting are discussed at Note 1.

(6) Claims and Judgments

The City has a commitment to pay life insurance benefits of \$1,000 upon the death of each retiree included in the Firemen's and Policemen's Disability and Relief Plan. The City elected to cancel its insurance policy covering such claims and self-insure these benefits. As a result, a total of \$85,000 was recorded for the 85 remaining retirees receiving benefits effective October 1, 1992. As of September 30, 2003, a total of 45 retirees and employees remain covered under the system. Accordingly, a liability in the amount of \$45,000 has been included in the General Long-Term Debt Account Group at September 30, 2003.

(7) Legal Debt Margin

The City's legal debt limit for general obligation bonds is \$89,677,879. After reduction for outstanding general obligation bonds of \$28,180,000 and increase by \$2,872,165 of available assets in the Debt Service Fund, the City's legal debt margin was \$64,370,044, at September 30, 2003.

(8) No-Commitment Debt

The City authorized the issuance of \$13,900,000 of Hospital Revenue Bonds in 1988, \$17,725,000 of Hospital Revenue Refunding Bonds in 1989 and \$60,000,000 of Hospital Revenue Bonds in 2001. The Series 1994A and 1994B Hospital Revenue Refunding and Improvement Bonds were issued in 1994 to refund the 1988 and 1989 bonds and provide financing for expansion. The 2001 bonds were used to provide financing for construction. As of September 30, 2003, the aggregate outstanding balance for the Hospital Revenue Refunding Bonds net of unamortized discount was \$96,857,761. These bonds do not constitute a liability of the City, are not a charge against its general credit or taxing powers and, accordingly, are not included in the City's General Long-Term Debt Account Group. However, as more fully discussed at Note 18, Memorial Hospital at Gulfport is a joint venture of the City and Harrison County.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 9: LONG-TERM DEBT (Continued)**

**(B) Business Note Obligations**

The following changes occurred in long-term debt liabilities reported in the Enterprise Funds for the year ended September 30, 2003:

	<u>Note Bonds</u>	<u>Obligations</u>	<u>Total</u>
Balance, October 1, 2002	\$ 58,265,000	\$ 5,676,582	\$ 63,931,582
Plus: new issues	-	990,685	990,685
Less: principal payments	( 1,060,000)	( 430,279)	( 1,490,279)
Balance, September 30, 2003	<u>\$ 57,205,000</u>	<u>\$ 6,236,988</u>	<u>\$ 63,431,988</u>

(1) Revenue Bonds

These are bonds for which the City pledges income derived from the acquired or constructed assets to pay debt service. Bonds outstanding at September 30, 2003 are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>
Water and Sewer General Obligation Series 1996 Bonds	\$ 6,000,000	12/01/96	4.875-6.25%	\$ 4,860,000
Water and Sewer General Obligation Refunding Series 1998 Bonds	6,440,000	8/01/98	4.75%	4,545,000
Water and Sewer Series 1999 Revenue Bonds	33,300,000	12/01/99	4.4-6.0%	32,800,000
Water and Sewer Series 2002 Revenue Bonds	<u>15,000,000</u>	4/23/02	3.0-5.25%	<u>15,000,000</u>
Total	<u>\$ 60,740,000</u>			<u>\$ 57,205,000</u>

Bonded debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,490,000	\$ 3,068,313	\$ 4,558,313
2005	1,700,000	2,999,000	4,699,000
2006	1,805,000	2,915,956	4,720,956
2007	2,265,000	2,828,625	5,093,625
2008	2,385,000	2,716,834	5,101,834
2009-2013	11,450,000	11,804,438	23,254,438
2014-2018	13,385,000	8,595,150	21,980,150
2019-2023	15,975,000	4,611,731	20,586,731
2024-2027	<u>6,750,000</u>	<u>683,063</u>	<u>7,433,063</u>
Totals	<u>\$ 57,205,000</u>	<u>\$ 40,223,110</u>	<u>\$ 97,428,110</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 9: LONG-TERM DEBT (Continued)**

On December 1, 1996, the City issued \$6,000,000 of general obligation water and sewer bonds with an average interest rate of 5.55% to provide funds for the purpose of repairing or improving the existing combined water and sewer system of the City and for erecting or purchasing additional waterworks or other public utility plants or distribution systems or franchises, and repairing or improving the same. The bonds are backed by the full faith, credit and taxing power of the City. The balance of these bonds has been recorded in the Water and Sewer Enterprise Fund, as it is the intention of the City to use utility revenue to service these bonds.

On August 1, 1998, the City issued \$6,440,000 of general obligation refunding bonds with an average interest rate of 4.75% to refund the Series 1992 \$8,800,000 Combined Water and Sewer System Revenue Refunding Bonds of the City. The refunding of these bonds made available the restricted cash and investments of \$875,000 required to be held by the Series 1992 bonds. The new bonds were used to purchase existing waterworks or other public utility plants or distribution systems or franchises, and repairing or improving the same. The bonds are backed by the full faith, credit and taxing power of the City. The balance of these bonds has been recorded in the Water and Sewer Fund, as it is the intention of the City to use utility revenue to service these bonds.

On December 1, 1999, the City issued \$33,300,000 of water and sewer revenue bonds with an average interest rate of 5.2% to provide funds to purchase the utility system operated by Orange Grove Utilities, Inc., which was a private water system in the annexed area. Bond covenants require the city to maintain a \$1,000 depreciation reserve and a \$1,000 contingency reserve in addition to maintaining a 105% net revenue coverage on the current debt service.

On April 23, 2002, the City issued \$15,000,000 of water and sewer special obligation bonds with an average interest rate of 5.21% to provide funds for the water and sewer master plan – phase I (right-of-way acquisitions), to upgrade water systems, and to purchase smaller utility companies in the Orange Grove area. Bond covenants require the city to maintain a \$1,000 depreciation reserve and a \$1,000 contingency reserve in addition to maintaining a 105% net revenue coverage on the current debt service.

**(2) Business Activities Note Obligations**

The City's utility enterprise fund finances extensions and improvements to its system through note obligations that are subordinate to the revenue bonds.

The utility maintains state revolving loans, which enabled the City to provide sewer services in needed areas. These loans are to be repaid over a period of twenty years, bearing interest rates of 3% - 4.5% per annum. Payment on these loans is made by way of sales tax reductions from amounts due to the City for sales taxes collected in the City. The Water and Sewer Fund then reimburses the General Fund for the amount of the deduction.

A summary of note obligations outstanding at September 30, 2003 is as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Date</u>	<u>Rate</u>	<u>Outstanding Amount</u>
State Revolving Fund Loans	\$ 8,675,340	various	3.0-4.5%	\$ 5,828,012
MS Development Bank	420,221	various	% of prime	408,976
Total	<u>\$ 9,095,561</u>			<u>\$ 6,236,988</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 9: LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for the above noted obligations are as follows:

Year Ending September 30	Principal	Interest	Total
2004	\$ 458,085	\$ 209,117	\$ 667,202
2005	492,541	198,232	690,773
2006	516,907	181,832	698,739
2007	536,347	162,319	698,666
2008	556,286	141,932	698,218
2009-2013	2,854,037	379,994	3,234,031
2014-2018	532,387	46,227	578,614
2019-2023	257,460	14,813	272,273
2024-2027	<u>32,938</u>	<u>333</u>	<u>33,271</u>
Totals	<u>\$ 6,236,988</u>	<u>\$ 1,334,799</u>	<u>\$ 7,571,787</u>

**NOTE 10: DEFICIT RETAINED EARNINGS OF INDIVIDUAL FUNDS**

In the Internal Service Funds the Claims Contingency Fund has a deficit-retained earnings in the amount of (\$45,626). This fund had a current net income \$274,988. The income added to the beginning deficit of (\$320,614) results in the (\$45,626) deficit. In the Special Revenue Funds the Flood Acquisition Program has a deficit-retained earnings in the amount of (\$720,375). This fund had a current net loss of (\$1,151,541). The loss added to the beginning balance of \$431,166 results in the (\$720,375) deficit.

**NOTE 11: OTHER INDIVIDUAL FUND DISCLOSURES**

A listing of the individual funds that have an excess of expenditures over budget, including amounts of the excess, is as follows:

Fund Type/Fund	Amount
Special Revenue Funds – Police and Fireman’s Retirement Fund	\$ 22,677
Special Revenue Funds – Library Fund	9,028
Special Revenue Funds - Community Development Fund	261,044
Capital Projects Fund – 1998 Public Improvement Fund	87,322

The Special Revenue fund and the Capital Projects funds are not in violation of state law since additional tax receipts from the prior year were collected and dispersed at year-end.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 12: FUND RESERVES**

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the city:

Reserved for encumbrances – An account that represents a portion of the fund balance for commitments related to unperformed contracts.

Restricted funds – donor imposed - The city received \$100,000 for the senior citizens. The principal cannot be expended .

Reserved for debt service – An account that represents the fund balance for the Debt Service Fund resources which are legally restricted for the payment of general long-term debt principal and interest amounts maturing in future years.

Unreserved designated for subsequent year expenditures – An account that represents the amount designated to be spent in the next year.

**NOTE 13: UNEMPLOYMENT COMPENSATION FUND**

In accordance with Mississippi Code Section 71-5-359(f), the City has obtained a surety bond and posted this bond with the Mississippi Employment Security Commission in lieu of maintaining a cash reserve.

**NOTE 14: RISK MANAGEMENT**

**(A) Description**

The City's risk management activities are recorded in the Claims Contingency Fund and the Group Life and Health Fund. The purpose of these funds is to administer general liability, police professional liability, automobile and property liability, workers' compensation, employee life, and employee health insurance programs of the City on a cost-reimbursement basis. These funds account for the risk financing activities of the City but do not constitute a transfer of risk from the City.

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which a municipality may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, House Bill 417 established the Mississippi Tort Claims Board. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

The City is in compliance with the above by providing a combination of insurance and reserves for its tort liabilities, as well as for all of its other risk management activities. A description of these programs is included below:

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 14: RISK MANAGEMENT (Continued)**

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The following summary reflects the City's insurance coverage and self-insured risk retention (SIR):

<u>Workers' Compensation</u>		
Per occurrence deductible (SIR)	\$	200,000
Annual aggregate risk of loss through deductibles		1,000,000
Specific excess coverage in force		Statutory
<u>Employee Health Insurance</u>		
Per occurrence deductible (SIR)		125,000
Annual aggregate risk of loss through deductibles		3,760,448
<u>General and Other Liability Coverage</u>		
Per occurrence deductible (SIR)		50,000
Annual aggregate risk of loss through deductibles		350,000
Specific excess coverage in force		1,000,000/Occurrence 3,000,000/Aggregate
<u>Property Coverage</u>		
Per occurrence deductible (SIR)		50,000
Specific excess coverage in force		80,526,184

**(B) Claims Liability**

The City records an estimated liability for employee health care, workers' compensation, torts, and other claims against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

**(C) Unpaid Claims Liabilities**

The funds establish a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2001 to September 30, 2003:

	Claims Contingency Fund (Workers' Compensation and Tort Claims)	Group Life and Health Fund (Health Care Claims)
Liability balance, October 1, 2001	\$ 1,560,000	\$ 2,031
Claims and changes in estimates	902,028	3,176,540
Claims payments	<u>(622,957)</u>	<u>(2,965,826)</u>
Liability balance, September 30, 2002	1,839,071	212,745
Claims and changes in estimates	535,932	2,904,476
Claims payments	<u>(703,556)</u>	<u>(2,819,325)</u>
Liability balance, September 30, 2003	<u>\$ 1,671,447</u>	<u>\$ 297,897</u>
Assets available to pay claims at September 30, 2003	<u>\$ 1,203,692</u>	<u>\$ 1,787,641</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 14: RISK MANAGEMENT (Continued)**

The City's third-party claims administrator develops the City's reserves, including estimates for claims incurred but not reported. Administrative officials have reviewed the reserve estimates and consider them fairly stated. Additionally, the liability has been actuarially evaluated and found to be reasonable.

In addition to claims paid, a total of \$1,471,951 was paid for insurance premiums and \$232,138 for administrative costs.

**NOTE 15: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

**(A) Status of Grants**

The City receives annual entitlement grants from the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of grant awards at September 30, 2003:

Grant Number	Award Amount	Funds Drawn and Expended*	Balance of Award
B-01-MC-28-0002	\$ 1,037,000	1,015,035	21,965
B-02-MC-28-0002	1,031,000	973,414	57,586
B-03-MC-28-0002	<u>952,000</u>	<u>-</u>	<u>952,000</u>
Totals	<u>\$ 3,020,000</u>	<u>\$ 1,988,449</u>	<u>\$ 1,031,551</u>

**(B) Section 108 Loan/Economic Development**

In 1988, the City obtained a Section 108 loan from the Department of Housing and Urban Development (HUD) in the amount of \$1,000,000. Proceeds of the loan were used for the acquisition of 158 acres of property in connection with the City's Urban Development Project. Although the loan has since been repaid, program income from the sale of parcels of the property is required to be used for property improvements in connection with the project.

In 1989, approximately 22 acres of the property was sold to a developer for the construction of a new Food World grocery store. The project was completed in fiscal year 1994. A loan was issued to the developer in the amount of \$1,000,000 with interest to accrue over the first four years of the project. The note is to be repaid over twenty years and bears an average interest rate of 3.75%. The accrued interest of \$115,065 was added to the principal balance in 1994. The outstanding balance on the note at September 30, 2003 totaled \$945,118.

During fiscal year ending September 30, 2000, the City entered into an agreement to lend a developer \$600,000 under an Urban Development Action Grant (UDAG) from the United States Department of Housing and Urban Development (HUD). The term of the loan is 15 years, bearing an interest rate of 0% for the first 5 years and 4% for the remaining years. No payments are required for the first five years, with equal monthly installments due over the next 15 years. The outstanding balance on the note at September 30, 2003 totaled \$600,000.

During 1995, the City received \$1,650,701 from the sale of 116 acres of the remaining property. The City incurred \$1,468,868 of infrastructure improvements through September 30, 1996, and an additional \$193,833 in fiscal year 1997. No amounts were spent in fiscal year 2003.



**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 15: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (Continued)**

**(C) Loan Programs**

Under the CDBG Program, the City makes installment and deferred loans to eligible homeowners and other eligible parties. These loan programs have been described at Note 5.

**NOTE 16: OTHER COMMITMENTS AND CONTINGENCIES**

**(A) Federal Grants**

In the normal course of operations, the City receives grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

**(B) Contract Commitments**

*Construction Contracts*

The following significant contracts were outstanding at September 30, 2003.

Infrastructure Projects	Contract Amount	Expended at 9/30/03	Outstanding Commitment
Brickyard Bayou Drainage Improvements	\$ 1,482,360	1,117,582	\$ 364,778
Water System Upgrades North of I-10	458,000	422,545	35,546
Remove, renovate, and replace Pump Stations	2,825,112	614,739	2,110,374
Sanitary Sewer Rehabilitation SRF -07	<u>2,518,978</u>	<u>37,747</u>	<u>2,481,231</u>
	<u>\$ 7,284,450</u>	<u>\$ 2,192,613</u>	<u>\$ 4,991,929</u>

*Service Contracts*

In February 1999, the City entered into a service contract with OPTECH, Inc. to provide customer billing, maintenance and other services necessary for the proper operation of the City's water facilities, and the management, maintenance and repairs to the City's sewer collection system and lift stations. OPTECH, Inc. is responsible for all labor, chemicals, parts, supplies, etc. The City renewed the contract for four years which calls for annual amounts of \$5,891,623, \$6,068,371, \$6,250,423, and \$6,437,936 for years ending September 30, 2003, 2004, 2005 and 2006, respectively.

**(C) Litigation**

The City is party to various legal proceedings, which normally occur, in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. In addition, the City currently has approximately \$1,671,447 accrued in the Claims Contingency Fund for pending or threatened litigation for which unfavorable outcome is considered probable. See Note 14 for the treatment of claims incurred but not reported and other tort liability information.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 17: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

**I. JOINT VENTURES**

**(1) Harrison County Wastewater and Solid Waste Management District**

The City is a member of the Harrison County Wastewater and Solid Waste Management District (District), which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and county who are members of the District. Through a fifty-year contract, the City is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the District. Additionally, the City is jointly and severally liable for all of the liabilities of the District. The District is classified as a joint venture between the City and the other members.

The following is a synopsis of the District's financial statements as of and for the year ended September 30, 2003, a complete copy of which is on file at the administrative offices of the District which are located at 14108 Airport Road, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

**BALANCE SHEET**

<u>ASSETS</u>	
Current assets	\$ 2,393,594
Restricted assets	43,806,530
Property, plant and equipment (net)	78,531,864
Deferred charges	<u>4,109,005</u>
Total assets	<u>\$ 128,840,993</u>
<u>LIABILITIES AND FUND EQUITY</u>	
<u>LIABILITIES</u>	
Current, unrestricted	\$ 2,386,258
Current, restricted	6,043,693
Long-term liabilities	<u>123,259,285</u>
Total liabilities	131,689,236
<u>FUND EQUITY</u>	<u>(2,848,243)</u>
Total liabilities and fund equity	<u>\$ 128,840,993</u>

**STATEMENT OF REVENUES AND EXPENSES**

Operating revenues	\$ 14,489,768
Operating expenses	(14,441,155)
Depreciation and amortization	(4,394,920)
Non-operating revenues (expense)	2,013,760
Capital contributions	<u>37,500</u>
Net loss	<u>\$ (2,295,047)</u>

The following financial information concerning transactions with the District has been included in the City's financial statements under the following captions:

Water and Sewer Enterprise Fund

Statement of Revenues, Expenses and	
Changes in Retained Earnings	
Other services and charges (solid waste	
and wastewater treatment charges)	<u>\$ 9,458,908</u>

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 17: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**(2) Memorial Hospital At Gulfport (MHG)**

MHG is an acute care, not-for-profit community hospital jointly owned by the City and the Gulfport-West Harrison County Hospital District. The Board of Trustees of MHG pursuant to section 41-13-15 et operates it. seq. Mississippi Code of 1972, as amended. MHG is classified as a joint venture between the City and the Gulfport-West Harrison County Hospital District. The following is a synopsis of MHG's financial statements as of and for the year ended September 30, 2003, a complete copy of which is on file at the administrative offices of Memorial Hospital located at 4500 13th Street, Gulfport, Mississippi 39501, or may be acquired by calling (228) 865-3078.

**BALANCE SHEET**

**ASSETS**

Current assets	\$ 60,962,073
Restricted assets	114,316,940
Property, plant and equipment (net)	139,336,455
Other assets	<u>2,995,414</u>
Total assets	<u>\$ 317,610,882</u>

**LIABILITIES AND FUND EQUITY**

Current liabilities	\$ 20,062,191
Long-term liabilities	96,875,481
Fund Balance	<u>200,673,210</u>
Total liabilities and fund balance	<u>\$ 317,610,882</u>

**STATEMENT OF REVENUES AND EXPENSES**

Operating revenues	\$ 210,465,857
Operating expenses	(207,085,517)
Non-operating (expenses)	<u>(2,781,142)</u>
Net income	<u>\$ 599,198</u>

The City has no transactions with MHG that are included in the City's financial statements. All general obligation bonds issued on behalf of Memorial Hospital were paid off during prior fiscal year. See Note 8(A)8 for additional information pertaining to conduit debt issued for Memorial Hospital.

**II. JOINTLY GOVERNED ORGANIZATIONS**

**(1) Harrison County Library System**

On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Gulfport Public Library, the City of Biloxi, the Board of Supervisors of Harrison County, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, and the Board of Trustees of the Pass Christian Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement. However, the County Library Board that stipulates the amount of funds needed from the participating municipalities and various other funding sources approves a budget every year. The City contributed \$499,765 for the year ended September 30, 2003. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 17: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**(2) Gulfport-Biloxi Regional Airport Authority**

The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The authority is comprised of one appointee each from the local governmental units of the City of Gulfport, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually, if necessary. During the past fiscal year, the City provided \$115,000 to the Gulfport-Biloxi Regional Airport in order to assist in the operation of the facility.

**NOTE 18: RETIREMENT PLANS**

The City participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer, cost-sharing pension plan and an agent multi-employer pension plan as described below:

**(A) Public Employees' Retirement System**

**1. Plan Description and Provisions**

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

**2. Description of Funding Policy**

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2003, 2002 and 2001 were \$2,103,127, \$1,970,793, and \$1,869,238 respectively equal to the required contributions for each year.

**3. Trend Information**

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2002 financial report.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 18: RETIREMENT PLANS (Continued)**

**(B) Disability and Relief-Municipal Retirement Systems Pension Plan**

**1. General**

The City contributes to the Municipal Retirement Systems' Fire and Police Disability and Relief Funds (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. At September 30, 2002, the date of the most recent actuarial verification available, the MRS are composed of 19 separate municipal retirement and fire and police disability and relief systems. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**2. Memberships and Benefit Provision**

Membership in the Fire and Police Disability and Relief Systems was granted to all City uniformed police officers and fire fighters who were not already members of PERS and who were hired prior to July 1, 1976. Employees hired after July 1, 1976 automatically become members of PERS. MRS were fully closed to new members July 1, 1976. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions.

Participating employees who retire regardless of age with at least 20 years of credited service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66-2/3 percent of average monthly compensation. Average monthly compensation is the monthly average for the last six months of service. The City provides a minimum monthly retirement allowance of \$500 under the MRS. Benefits vest upon reaching 20 years of credited service. MRS also provide certain death and disability benefits. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Annotated (1972) and annual local and private legislation. Statutes may be amended only by the state legislature.

**3. Funding Policy and Annual Pension Costs**

Contribution provisions for MRS are established by state statute, annual local and private legislation and may be amended only by the state legislature.

During the year ended September 30, 2003, contributions totaling \$1,042,196 (\$999,995 employer and \$42,201 employee) was made in accordance with contribution requirements.

**(C) Deferred Compensation Plan**

The Mississippi Public Employees' Retirement System (PERS) offers the City's employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**CITY OF GULFPORT, MISSISSIPPI**  
**Notes to Basic Financial Statements**  
**For Year Ended September 30, 2003**

**NOTE 18: RETIREMENT PLANS (Continued)**

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants were removed from the City's financial statements during the year ended September 30, 1997. As of September 30, 2003 and 2002, assets held by PERS for participants employed by the City of Gulfport, Mississippi approximated \$1,686,835 and \$1,321,683, respectively.

**NOTE 19: PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to correct the net capital assets of the Water and Sewer fund in the amount of \$1,454,857. The effect of this prior period adjustment on the net asset balance as of October 1, 2002 is as follows:

Fund balance, September 30, 2002, as originally reported	\$ 15,698,894
Adjustment to correct overstatement of capital assets	(339,578)
Adjustment to correct overstatement of accumulated depreciation	2,039,149
Adjustment to correct understatement of accounts payable	<u>(244,714)</u>
Fund balance October 1, 2002 as restated	<u>\$ 17,153,751</u>

A prior period adjustment was made to correct the net capital assets of the non-major Joseph T. Jones fund in the amount of (\$27,707). The effect of this prior period adjustment on the net asset balance as of October 1, 2002 is as follows:

Fund balance, September 30, 2002, as originally reported	\$ 1,347,464
Adjustment to correct overstatement of capital assets	(37,378)
Adjustment to correct overstatement of accumulated depreciation	5,671
Adjustment to correct overstatement of retainage payable	<u>4,000</u>
Fund balance, October 1, 2002, as restated	<u>\$ 1,319,757</u>

Since the effect of this prior period adjustment is cumulative in nature on the excess of revenues and other financing sources over expenditures and other financing uses, the adjustment would have effected several prior years.

## **REQUIRED SUPPLEMENTARY INFORMATION**





**City of Gulfport, Mississippi**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Budget to Actual**  
**For the Fiscal Year Ended September 30, 2003**

	Budgeted Amounts		Actual	Actual	Variance with
	Original	Final	GAAP	Budget	Final Budget
			Basis	Basis	Positive
					(Negative)
Revenues:					
Taxes:					
Property	\$ 13,062,383	\$ 13,062,383	\$ 13,654,704	\$ 13,654,704	\$ 592,321
Sales	16,500,000	16,500,000	17,002,238	17,002,238	502,238
Franchise	2,500,000	2,500,000	2,832,711	2,832,711	332,711
Gaming	4,350,000	4,350,000	4,477,760	4,477,760	127,760
Licenses and permits	1,783,000	1,783,000	1,783,718	1,783,718	718
Intergovernmental	3,391,281	4,780,429	3,742,887	3,742,887	(1,037,542)
Charges for services	1,085,808	1,139,959	1,204,168	1,204,168	64,209
Fines and forfeits	2,700,000	2,700,000	1,965,229	1,965,229	(734,771)
Interest	100,000	101,291	124,752	124,752	23,461
Miscellaneous	-	962,740	777,177	777,177	(185,563)
Total revenues	45,472,472	47,879,802	47,565,344	47,565,344	(314,458)
Expenditures:					
Current:					
General government	6,975,949	8,357,453	6,743,365	6,743,365	(1,614,088)
Public safety	26,081,640	27,783,638	25,598,526	25,598,526	(2,185,112)
Public works	7,604,003	7,638,513	7,904,706	7,904,706	266,193
Economic development	1,432,142	1,502,149	1,452,673	1,452,673	(49,476)
Culture and recreation	4,532,994	4,621,375	4,370,787	4,370,787	(250,588)
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	46,626,728	49,903,128	46,070,057	46,070,057	(3,833,071)
Excess of revenues over expenditures	(1,154,256)	(2,023,326)	1,495,287	1,495,287	3,518,613
Other financing sources (uses):					
Transfers in	28,000	80,519	15,675	15,675	(64,844)
Transfers out	-	(195,450)	(195,450)	(195,450)	-
Loan proceeds	-	-	-	-	-
Sale of general fixed assets	-	-	36,902	36,902	36,902
Total other financing sources (uses)	28,000	(114,931)	(142,873)	(142,873)	(27,942)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,182,256)	(2,138,257)	1,352,414	1,352,414	3,490,671
Fund balance - October 1	11,631,160	11,631,160	11,631,160	11,631,160	-
Fund balance -September 30	\$ 10,448,904	\$ 9,492,903	\$ 12,983,574	\$ 12,983,574	\$ 3,490,671

*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Mississippi Municipal Retirement System (MMRS)**  
**Required Supplemental Information**  
**Analysis of Funding Progress**  
(Amounts Expressed In Thousands)

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Annual Covered Payroll ( c )	Unfunded AAL as a Percentage of Covered Payroll (( b-a ) /c)
9/30/1998	\$ 8,012	\$ 17,172	\$ 9,160	46.7%	\$ 777	1178.9%
9/30/1999	8,997	17,120	8,123	52.6%	747	1087.4%
9/30/2000	9,893	17,176	7,283	57.6%	740	984.2%
9/30/2001	10,627	18,601	7,974	57.1%	694	1149.0%
9/30/2002	10,986	18,904	7,918	58.1%	588	1346.6%
9/30/2003	11,136	23,527	12,391	47.3%	408	3037.0%
			-			

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the City of Gulfport's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and the annual covered payroll are both affected by inflation. Usually expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan. However, for closed plans such as this one, this figure is highly misleading and should be ignored.

# COMBINING FUND STATEMENTS

*Non-Major Governmental Funds*

*Internal Service Funds*

*Fiduciary Funds*



## Non-Major Governmental Funds

### ***Special Revenues:***

Forfeitures and Seizures Fund - This fund is used to account for monies seized and forfeited through drug enforcement actions and are specifically restricted for drug enforcement expenditures and other such public safety operations.

Police Traffic Safety Fund – This fund is used to account for federal grants legally restricted to the traffic safety programs for which they are provided.

Community Development Fund – This fund is primarily used to account for the community development block grant that is funding certain economic development and community revitalization projects in low-income areas within the City’s jurisdiction.

Police and Firemen’s Retirement Fund – This fund is used to account for tax revenues legally restricted for funding the police and firemen’s retirement plan. All collections are forward to Public Employee’s Retirement System (PERS) for a closed fire and police retirement system managed by PERS.

Library Fund – This fund is used to account for tax revenues legally restricted to provide funding to the library system.

Flood Acquisition Program Fund – This fund is used to account for the purchasing of houses under the Disaster Assistance for Unmet Needs Grants Program.

### ***Capital Projects Funds:***

1993 Public Improvements Fund – This fund is used to account for streets and drainage projects throughout the City of Gulfport, Mississippi’s jurisdiction which are being financed with the City’s 1993 general obligation bond issue.

1996 Public Improvements Fund – This fund is used to account for various public improvement projects financed by general obligation bonds.

1998 Public Improvements Fund – This fund is used to account for various public improvement projects financed by general obligation bonds.

2001 Public Improvements Fund – This fund is used to account for various public improvement projects financed by Mississippi Development Promissory Note.

Capital Projects Fund – This fund is used to account for tax revenues and certain government grants specifically restricted for the construction of major capital facilities and public improvement projects not otherwise funded by general obligation bonds.

### ***Debt Service Funds:***

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the City of Gulfport, Mississippi is obligated in some manner for the payment.

**City of Gulfport, Mississippi**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**September 30, 2003**

	Special Revenue						Capital Projects							
	Forfeitures and Seizures	Police Traffic Safety	Community Development	Police and Firemen's Retirement	Library	Flood Acquisition Program	1993 Public Improvement Fund	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	2003 Public Improvement Fund	Capital Projects Fund	Debt Service Fund	Total Other Governmental Funds 2003
Pooled cash and cash equivalents	\$ 161,271	\$ 62,927	\$ -	\$ -	\$ -	\$ -	\$ 211,926	\$ 35,903	\$ 127,546	\$ 637,363	\$ 4,344,947	\$ 2,594,234	\$ 2,772,048	\$ 10,948,165
Cash with fiscal agent	-	-	-	-	-	-	-	-	-	-	-	-	76,212	76,212
Non-pooled cash and cash equivalents	-	-	203,790	-	-	-	-	-	-	-	-	-	-	203,790
Receivables:														
Taxes	-	-	-	10,530	4,913	-	-	-	-	-	-	-	41,226	56,669
Grantee loans	-	-	2,406,197	-	-	-	-	-	-	-	-	-	-	2,406,197
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	1,230	196,253	-	-	69,631	-	-	-	-	-	961,354	-	1,228,468
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	15,976	15,976
Deferred Charges	-	-	-	-	-	98,458	-	-	-	-	-	-	-	98,458
Total assets	<u>\$ 161,271</u>	<u>\$ 64,157</u>	<u>\$ 2,806,240</u>	<u>\$ 10,530</u>	<u>\$ 4,913</u>	<u>\$ 168,089</u>	<u>\$ 211,926</u>	<u>\$ 35,903</u>	<u>\$ 127,546</u>	<u>\$ 637,363</u>	<u>\$ 4,344,947</u>	<u>\$ 3,555,588</u>	<u>\$ 2,905,462</u>	<u>\$ 15,033,935</u>
Accounts payable	\$ 699	\$ 608	\$ 228,205	\$ -	\$ -	\$ 92,913	\$ -	\$ -	\$ -	\$ 15,532	\$ 103,405	\$ 89,953	\$ 31,256	\$ 562,571
Due to other funds	-	-	46,758	-	-	793,940	-	-	-	-	-	-	2,041	842,739
Retainage payable	-	-	1,000	-	-	-	58,820	-	-	-	-	-	-	59,820
Deferred revenue	-	-	2,438,147	-	-	-	-	-	-	-	-	1,113,959	-	3,552,106
Other liabilities	-	-	53,678	-	-	1,611	-	-	-	-	-	-	-	55,289
Total liabilities	<u>699</u>	<u>608</u>	<u>2,767,788</u>	<u>-</u>	<u>-</u>	<u>888,464</u>	<u>58,820</u>	<u>-</u>	<u>-</u>	<u>15,532</u>	<u>103,405</u>	<u>1,203,912</u>	<u>33,297</u>	<u>5,072,525</u>
Reserved for encumbrances	1,525	-	1,077	-	-	26,801	1,099	-	-	197,489	-	186,477	-	414,468
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	2,872,165	2,872,165
Reserved for contract commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved:														
Designated for subsequent														
year expenditures	159,047	63,549	37,375	10,530	4,913	(747,176)	152,007	35,903	127,546	424,342	4,241,542	2,165,199	-	6,674,777
Total fund balances	<u>160,572</u>	<u>63,549</u>	<u>38,452</u>	<u>10,530</u>	<u>4,913</u>	<u>(720,375)</u>	<u>153,106</u>	<u>35,903</u>	<u>127,546</u>	<u>621,831</u>	<u>4,241,542</u>	<u>2,351,676</u>	<u>2,872,165</u>	<u>9,961,410</u>
Total liabilities and fund balances	<u>\$ 161,271</u>	<u>\$ 64,157</u>	<u>\$ 2,806,240</u>	<u>\$ 10,530</u>	<u>\$ 4,913</u>	<u>\$ 168,089</u>	<u>\$ 211,926</u>	<u>\$ 35,903</u>	<u>\$ 127,546</u>	<u>\$ 637,363</u>	<u>\$ 4,344,947</u>	<u>\$ 3,555,588</u>	<u>\$ 2,905,462</u>	<u>\$ 15,033,935</u>

*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Combining Statement of Revenues and Expenditures and**  
**Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For Fiscal Year Ended September 30, 2003**

	Special Revenue						Capital Projects							
	Forfeitures and Seizures	Police Traffic Safety	Community Development	Police and Firemen's Retirement	Library	Flood Acquisition Program	1993 Public Improvement Fund	1996 Public Improvement Fund	1998 Public Improvement Fund	2001 Public Improvement Fund	2003 Public Improvement Fund	Capital Projects Fund	Debt Service Fund	Total Other Governmental Funds
<b>Revenues</b>														
Taxes:														
Property	\$ -	\$ -	\$ -	\$ 1,051,176	\$ 490,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,112,729	\$ 5,654,383
Intergovernmental	223,108	15,183	2,088,801	30,424	14,200	1,907,580	-	-	-	-	-	483,141	587,879	5,350,316
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	1,320	805	3,222	-	-	-	13,632	810	1,700	5,205	31,126	39,400	47,608	144,828
Miscellaneous	671	-	32,720	-	-	3,753	5,362	-	-	-	-	-	47,323	89,829
Total revenues	<u>225,099</u>	<u>15,988</u>	<u>2,124,743</u>	<u>1,081,600</u>	<u>504,678</u>	<u>1,911,333</u>	<u>18,994</u>	<u>810</u>	<u>1,700</u>	<u>5,205</u>	<u>31,126</u>	<u>522,541</u>	<u>4,795,539</u>	<u>11,239,356</u>
<b>Expenditures</b>														
Current:														
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	20,414	9,750	296,625	1,071,070	-	-	-	-	-	-	-	-	-	1,397,859
Public works	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	639,332	-	-	-	-	-	-	-	-	-	-	639,332
Culture and recreation	-	-	6,041	-	499,765	-	-	-	-	-	-	-	-	505,806
Capital outlay	119,017	-	1,289,499	-	-	3,241,544	1,281,929	84,426	5,249	945,808	699,934	1,625,849	-	9,293,255
Debt service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	2,643,638	2,643,638
Interest	-	-	-	-	-	-	-	-	-	-	-	-	1,442,812	1,442,812
Other	-	-	-	-	-	-	-	-	-	-	-	-	43,038	43,038
Total expenditures	<u>139,431</u>	<u>9,750</u>	<u>2,231,497</u>	<u>1,071,070</u>	<u>499,765</u>	<u>3,241,544</u>	<u>1,281,929</u>	<u>84,426</u>	<u>5,249</u>	<u>945,808</u>	<u>699,934</u>	<u>1,625,849</u>	<u>4,129,488</u>	<u>15,965,740</u>
Excess (deficit) of revenues over expenditures	<u>85,668</u>	<u>6,238</u>	<u>(106,754)</u>	<u>10,530</u>	<u>4,913</u>	<u>(1,330,211)</u>	<u>(1,262,935)</u>	<u>(83,616)</u>	<u>(3,549)</u>	<u>(940,603)</u>	<u>(668,808)</u>	<u>(1,103,308)</u>	<u>666,051</u>	<u>(4,726,384)</u>
<b>Other Financing Sources (Uses)</b>														
Transfers in	-	-	-	-	-	36,750	-	-	-	-	-	158,700	-	195,450
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(15,675)	-	(15,675)
Loan proceeds	-	-	-	-	-	141,920	-	-	-	937,859	-	-	-	1,079,779
Bond proceeds	-	-	-	-	-	-	-	-	-	-	5,000,000	-	-	5,000,000
Bond issue costs	-	-	-	-	-	-	-	-	-	-	(89,650)	-	-	(89,650)
Sale of general fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>937,859</u>	<u>4,910,350</u>	<u>143,025</u>	<u>-</u>	<u>6,169,904</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>85,668</u>	<u>6,238</u>	<u>(106,754)</u>	<u>10,530</u>	<u>4,913</u>	<u>(1,151,541)</u>	<u>(1,262,935)</u>	<u>(83,616)</u>	<u>(3,549)</u>	<u>(2,744)</u>	<u>4,241,542</u>	<u>(960,283)</u>	<u>666,051</u>	<u>1,443,520</u>
Fund balances - October 1	<u>74,904</u>	<u>57,311</u>	<u>145,206</u>	<u>-</u>	<u>-</u>	<u>431,166</u>	<u>1,416,041</u>	<u>119,519</u>	<u>131,095</u>	<u>624,575</u>	<u>-</u>	<u>3,311,959</u>	<u>2,206,114</u>	<u>8,517,890</u>
Fund balances - September 30	<u>\$ 160,572</u>	<u>\$ 63,549</u>	<u>\$ 38,452</u>	<u>\$ 10,530</u>	<u>\$ 4,913</u>	<u>\$ (720,375)</u>	<u>\$ 153,106</u>	<u>\$ 35,903</u>	<u>\$ 127,546</u>	<u>\$ 621,831</u>	<u>\$ 4,241,542</u>	<u>\$ 2,351,676</u>	<u>\$ 2,872,165</u>	<u>\$ 9,961,410</u>

*The accompanying notes are an integral part of these financial statements.*



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## **Internal Service Funds**

### ***Internal Service Funds :***

Group Life and Health Fund – This fund is used to account for the accumulation and allocation of costs associated with providing health care and life insurance benefits for the City's employees.

Claims Contingency Fund – This fund is used to account for the accumulation of costs associated with workman's compensation claims and general liability claims against the City.

**City of Gulfport, Mississippi**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**September 30, 2003**

	Group Health and Life Fund	Claims Contingency Fund	Total
<b>Assets</b>			
Current Assets:			
Pooled cash and cash equivalents	\$ 1,780,640	\$ 182,850	\$ 1,963,490
Investments	-	1,053,147	1,053,147
Receivables	7,001	550	7,551
Prepaid items	-	422,129	422,129
Total assets	<u>\$ 1,787,641</u>	<u>\$ 1,658,676</u>	<u>\$ 3,446,317</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	32,855	32,855
Estimated health claims payable	385,395	1,671,447	2,056,842
Total liabilities	<u>385,395</u>	<u>1,704,302</u>	<u>2,089,697</u>
<b>Net assets</b>			
Unrestricted	1,402,246	(45,626)	1,356,620
Total net assets	<u>\$ 1,402,246</u>	<u>\$ (45,626)</u>	<u>\$ 1,356,620</u>

*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For Fiscal Year Ended September 30, 2003**

	Group Health and Life Fund	Claims Contingency Fund	Total
Operating revenues:			
Employee contributions	\$ 645,047	\$ -	\$ 645,047
Retiree contributions	65,911	-	65,911
Employer contributions	2,615,287	2,089,898	4,705,185
Insurance claim reimbursement	82,875	7,366	90,241
Total operating revenues	<u>3,409,120</u>	<u>2,097,264</u>	<u>5,506,384</u>
Operating expenses:			
Contractual services	-	9,250	9,250
Administrative services	137,449	94,679	232,128
Death benefit payments	-	-	-
Premium payments	212,900	1,259,051	1,471,951
Claims paid - worker's compensation	-	459,416	459,416
Claims paid	2,819,324	244,140	3,063,464
Increase (decrease) in provision for self-insurance losses	85,152	(167,624)	(82,472)
Total operating expenses	<u>3,254,825</u>	<u>1,898,912</u>	<u>5,153,737</u>
Income (loss) from operations	<u>154,295</u>	<u>198,352</u>	<u>352,647</u>
Nonoperating revenues (expenses):			
Interest earnings	<u>21,108</u>	<u>76,636</u>	<u>97,744</u>
Total nonoperating revenues (expenses)	<u>21,108</u>	<u>76,636</u>	<u>97,744</u>
Income (loss) before transfers	175,403	274,988	450,391
Change in net assets	175,403	274,988	450,391
Net assets at beginning of year	<u>1,226,843</u>	<u>(320,614)</u>	<u>906,229</u>
Net assets at end of year	<u>\$ 1,402,246</u>	<u>\$ (45,626)</u>	<u>\$ 1,356,620</u>

*The accompanying notes are an integral part of these financial statements.*



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## **Fiduciary Funds**

### ***Fiduciary Funds:***

Asset Forfeiture Fund – This is a fiduciary fund for collecting and settling assets seized jointly by the City and other governments.

Coastal Narcotics Task Force Fund – This is a fiduciary fund used for collecting and settling assets jointly by the City and other coastal agencies.

**City of Gulfport, Mississippi**  
**Fiduciary Funds**  
**Combining Statment of Net Assets**  
**September 30, 2003**

	Asset Forfeiture	Coastal Narcotics Task Force	Total
<b>Assets</b>			
Non-pooled cash and cash equivalents	\$ 82,543	\$ 7,667	\$ 90,210
Assets held for disposal	35,590	-	35,590
	<u>\$ 118,133</u>	<u>\$ 7,667</u>	<u>\$ 125,800</u>
<b>Liabilities</b>			
Due to other governments	<u>\$ 118,133</u>	<u>\$ 7,667</u>	<u>\$ 125,800</u>

*The accompanying notes are an integral part of these financial statements.*

**City of Gulfport, Mississippi**  
**Fiduciary Funds**  
**Statement of Changes in Net Assets**  
**For the Fiscal Year Ended September 30, 2003**

	Balance at 10/1/2002	Additions	Deductions	Balance at 9/30/2003
<b><u>Asset Forfeiture Fund</u></b>				
<b>Assets</b>				
Cash	\$ 118,923	\$ -	\$ 36,380	\$ 82,543
Assets held for disposal	35,590	-	-	35,590
	<u>154,513</u>	<u>-</u>	<u>-</u>	<u>35,590</u>
Total assets	<u>\$ 154,513</u>	<u>\$ -</u>	<u>\$ 36,380</u>	<u>\$ 118,133</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 154,513</u>	<u>\$ -</u>	<u>\$ 36,380</u>	<u>\$ 118,133</u>
<b><u>Coastal Narcotics Task Force</u></b>				
<b>Assets</b>				
Cash	<u>\$ 4,987</u>	<u>\$ 2,680</u>	<u>\$ -</u>	<u>\$ 7,667</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 4,987</u>	<u>\$ 2,680</u>	<u>\$ -</u>	<u>\$ 7,667</u>
<b><u>Total Agency Funds</u></b>				
<b>Assets</b>				
Cash	\$ 123,910	\$ 2,680	\$ 36,380	\$ 90,210
Assets held for disposal	35,590	-	-	35,590
Total assets	<u>\$ 159,500</u>	<u>\$ 2,680</u>	<u>\$ 36,380</u>	<u>\$ 125,800</u>
<b>Liabilities</b>				
Due to other governments	<u>\$ 159,500</u>	<u>\$ 2,680</u>	<u>\$ 36,380</u>	<u>\$ 125,800</u>

*The accompanying notes are an integral part of these financial statements.*



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# STATISTICAL SECTION

This section includes several tables of unaudited data describing the financial history of the City as well as other miscellaneous statistics, generally presented on a multiyear basis.

- I General Governmental Expenditures by Function
- II General Governmental Revenues by Source
- III Property Tax Levies and Collections
- IV Assessed and Actual Value of Property
- V Property Tax Rates - Direct and Overlapping Governments
- VI Principal Taxpayers
- VII Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita
- VIII Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total Governmental Expenditures
- IX Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds
- X Revenue Bond Coverage
- XI Demographic Statistics
- XII Property Value, Construction and Bank Deposits
- XIII Miscellaneous Statistics



TABLE I  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	General Government	Public Safety	Public Works	Economic Development	Health & Welfare	Culture and Recreation	Capital Outlay	Debt Service	Total
1994 (2)	4,491	12,998	5,144	1,076	61	2,237	4,652	3,923	34,582
1995	3,463	16,008	6,354	79	281	2,478	8,138	3,501	40,302
1996	3,906	17,962	7,413	115	431	2,665	11,054	3,662	47,208
1997	4,613	21,019	9,427	106	170	2,864	6,667	4,099	48,965
1998	4,445	20,552	7,213	80	173	3,414	5,245	4,268	45,390
1999	7,216	21,318	6,789	100	30	3,783	10,062	4,241	53,539
2000	5,624	23,369	7,017	1,662	86	4,330	7,735	3,836	53,659
2001	6,309	27,574	6,517	92	366	4,647	12,911	3,598	62,014
2002	7,251	25,666	7,027	86	750	4,732	9,662	4,027	59,201
2003 (3)	6,743	26,996	12,548	1,453	639	4,877	4,650	4,086	61,992

(1) Includes all Governmental Fund types.

(2) Annexation approved effective January 1, 1994.

(3) Presented on modified accrual basis.

SOURCE: Prior audit reports.

TABLE II  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	Property Taxes	Sales Taxes	Franchise Taxes	Gaming Taxes	Fines and Forfeits	Licenses and Permits	Inter- Governmental	(4) Charges for Services	Interest and Miscellaneous	Total
1994(2)	8,131	9,153	1,709	3,331	1,758	877	3,408	685	656	29,708
1995(3)	14,955	10,625	1,902	2,661	1,942	909	3,774	776	1,140	38,684
1996	15,128	11,746	2,010	3,372	2,249	859	4,968	765	949	42,046
1997	16,081	12,478	2,053	3,446	1,924	821	5,808	656	1,190	44,457
1998	16,232	13,111	2,150	3,422	1,539	1,117	5,205	698	1,178	44,652
1999	16,515	15,583	2,260	3,718	2,377	1,454	9,230	710	1,286	53,133
2000	17,190	16,147	2,487	4,217	2,232	1,331	7,182	833	1,289	52,908
2001	15,852	16,241	2,792	4,241	2,251	1,187	9,354	998	1,391	54,307
2002	16,247	16,477	2,771	4,398	1,938	1,092	9,113	1,021	956	54,013
2003 (5)	19,309	17,002	2,833	4,478	1,965	1,784	9,093	1,204	1136	58,804

(1) Includes all Governmental Fund types.

(2) Annexation approved effective January 1, 1994.

(3) Began initial collections of realty, personal, and public utility taxes of the annexed area.

(4) Includes garbage collection fee for 1992 through 1993.

(5) Presented on modified accrual basis.

SOURCE: Prior audit reports.

TABLE III  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**PROPERTY TAX LEVIES AND COLLECTIONS (1)**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	Revenue from Total Levy (2)	Current Collections	Percent Current Collected	Delinquent Collections	Total Tax Collections (3)	Ratio Total Collected to Levy	Outstanding Delinquent Taxes	Ratio Delinquent to Total Levy
1993	16,767	16,555	98.7%	152	16,707	99.6%	212	1.3%
1994	18,514	17,950	97.0%	73	18,023	97.3%	565	3.1%
1995	26,572	25,853	97.3%	120	25,973	97.7%	719	2.7%
1996	26,797	26,543	99.1%	197	26,740	99.8%	254	0.9%
1997	30,048	29,802	99.2%	325	30,127	100.3%	246	0.8%
1998	30,354	30,058	99.0%	170	30,228	99.6%	296	1.0%
1999	31,353	31,040	99.0%	208	31,248	99.7%	313	1.0%
2000	32,157	31,907	99.2%	389	32,296	100.4%	250	0.8%
2001	32,263	31,928	99.0%	187	32,115	99.5%	335	1.0%
2002	33,053	32,451	98.2%	466	32,917	99.6%	326	1.0%

(1) Levy is established January 1 of year preceding that in which taxes are collected.

(2) Mississippi law requires vehicles to be included in assessed valuation.

(3) Includes City and School District amounts.

SOURCE: Prior audit reports.

TABLE IV  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**ASSESSED AND ACTUAL VALUE OF PROPERTY (1)**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Utilities		Vehicles		Totals		% Assessed Increase (Decrease)
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
1994(2)	121,644	889,211	26,868	179,120	30,433	202,887	36,809	122,697	215,754	1,393,915	15.2%
1995(3)	188,233	1,375,972	53,388	355,920	96,915	646,100	45,534	151,780	384,070	2,529,772	78.0%
1996	195,412	1,428,450	43,524	290,160	103,576	690,507	50,440	168,133	392,952	2,577,250	2.3%
1997	205,576	1,502,749	72,754	485,027	94,122	627,480	52,050	173,500	424,502	2,788,756	8.0%
1998	211,456	1,545,731	50,105	334,033	92,646	617,640	59,662	198,873	413,869	2,696,277	-2.5%
1999	215,135	1,572,624	56,063	373,753	93,052	620,347	63,700	212,333	427,950	2,779,058	3.4%
2000	218,333	1,596,001	55,753	371,687	97,460	649,733	67,663	225,543	439,209	2,842,965	2.6%
2001(4)	331,352	2,422,164	69,630	464,200	98,258	655,053	71,847	239,490	571,087	3,780,907	30.0%
2002	338,110	2,471,564	72,083	480,553	100,695	671,300	71,199	237,330	582,087	3,860,747	1.9%
2003	345,892	2,528,450	70,049	466,993	99,520	663,467	82,392	274,640	597,853	3,933,550	2.7%

(1) Assessment rates are as follows:

REAL PROPERTY - Assessed at 10% of actual value for homeowner-occupied, 15% for all others. (Average of 13.68% used in this table.)

PERSONAL PROPERTY - Assessed at 15% of actual value.

UTILITIES - Assessed at 15% of actual value.

VEHICLES - Assessed at 30% of actual value. State law requires inclusion in assessed value.

(2) Increase in Personal Property due to gaming industry amounts, and only vehicle valuations include annexed area amounts.

(All other annexed area property taxes were collected beginning January 1, 1995.)

(3) Increase due to annexed area initial billings for realty, personal and public utilities taxes for the annexed area.

(4) Real property reappraisal completed prior to this fiscal year.

SOURCE: Prior audit reports.

TABLE V  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year	City of Gulfport			Harrison County			Gulfport School District			Grand Total Millage
	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	
1994	33.3	7.7	41.0	38.9	4.5	43.4	45.3	5.8	51.1	135.5
1995	32.0	9.0	41.0	38.9	4.5	43.4	46.1	5.0	51.1	135.5
1996	32.0	9.0	41.0	40.4	3.0	43.4	44.5	8.3	52.8	137.2
1997	32.6	8.4	41.0	40.4	3.0	43.4	46.0	15.8	61.8	146.2
1998	34.9	6.1	41.0	41.4	2.0	43.4	48.1	13.7	61.8	146.2
1999	33.5	7.5	41.0	41.3	2.1	43.4	49.6	12.2	61.8	146.2
2000	33.5	7.5	41.0	40.0	3.4	43.4	50.0	11.8	61.8	146.2
2001*	22.2	7.5	29.7	32.8	3.4	36.2	43.6	9.1	52.7	118.6
2002	22.6	7.1	29.7	32.4	3.3	35.7	45.6	9.1	53.7	119.1
2003	23.8	7.4	34.0	32.9	2.8	35.7	35.7	7.6	54.9	124.6

\* Decrease in millage due to countywide property reappraisal completed in 2000

SOURCE: Harrison County Chancery Clerk's Office.

TABLE VI  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**PRINCIPAL TAXPAYERS**  
**2002 TAX ROLL**  
(Amounts Expressed in Thousands)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>(1) 2002 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Mississippi Power & Light	Electrical Utility	\$ 78,028	15.14%
Grand Casino, Inc.	Gaming Industry	41,952	8.14%
Bell South	Communications Utility	14,757	2.86%
Cross Roads Mall / Gulfport Factory Outlet Shops	Retail Industry	5,309	1.03%
Hancock Bank	Financial Institution	2,816	0.55%
Copa Casino	Gaming Industry	2,473	0.48%
Prime Outlets - Gulfport Factory Outlet Shops	Retail Industry	2,120	0.41%
Halter Marine	Industrial Shipbuilding	1,981	0.38%
Garden Park Hospital	Health Care Industry	1,950	0.38%
E.I. Dupont	Chemicals Industry	1,780	0.35%
Total		153,166	29.71%
All other taxpayers		362,295	70.29%
Total all assessments		<u>\$ 515,461</u>	<u>100.00%</u>

(1) Assessed valuation taken from 2002 Realty, Personal Property, and Public Utility tax rolls collected in fiscal year 2003.



TABLE VII  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED**  
**VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Assessed Value (1)</u>	<u>Gross Bonded Debt (2)</u>	<u>(3) Less: Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
1994(4)	68	215,754	17,700	432	17,268	8.00%	254
1995	69	384,070	17,185	356	16,829	4.38%	244
1996	70	392,952	24,900	485	24,415	6.21%	349
1997	71	424,502	24,065	296	23,769	5.60%	335
1998	71	413,869	35,445	274	35,171	8.50%	495
1999	71	427,950	27,725	424	27,301	6.38%	385
2000	71	439,209	27,375	766	26,609	6.06%	375
2001	71	571,087	26,060	1,666	24,394	4.27%	344
2002	71	582,087	24,722	2,208	22,514	3.87%	317
2003	74	597,853	28,180	2,905	25,275	4.23%	342

- (1) From Table 4.  
(2) Does not include revenue bonds or school district bonds which are not paid with General Government revenues.  
(3) Amount available for repayment of general obligation bonds.  
(4) Annexation effective January 1, 1994.

SOURCE: Prior audit reports.

TABLE VIII  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL OBLIGATION BONDED DEBT TO TOTAL**  
**GOVERNMENTAL EXPENDITURES**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	General Obligation Bonds (1)		Total Debt Service	Total Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
	Principal	Interest			
1994	790	1,449	2,239	34,582	6.47%
1995	720	998	1,718	40,302	4.26%
1996	785	887	1,672	47,208	3.54%
1997	835	1,328	2,163	48,965	4.42%
1998	1,060	1,270	2,330	45,390	5.13%
1999	1,280	1,734	3,014	53,487	5.64%
2000	1,350	1,419	2,769	52,687	5.26%
2001	1,315	1,394	2,709	62,014	4.37%
2002	1,410	1,319	2,729	59,201	4.61%
2003	960	1,069	2,029	61,992	3.27%

(1) School District General Obligation bonds are not included. Does not include refinancing.

(2) From Table 1.

SOURCE: Prior audit reports.

TABLE IX  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**GENERAL OBLIGATION BONDS**  
**SEPTEMBER 30, 2002**  
(Amounts Expressed in Thousands)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Amount Applicable to Government	Percentage Applicable to Government
Direct:			
City of Gulfport (1)	\$ 25,275	\$ 25,275	100.00%
Overlapping:			
Harrison County	50,325	18,822	37.40%
Gulfport School District (2)	22,875	22,875	100.00%
Total overlapping	73,200	41,697	
 Total all	 \$ 98,475	 \$ 66,972	

- (1) Excludes School District bonds, capital leases, negotiable bank notes and amount available for repayment in the debt service fund.
- (2) Includes \$1,540,000 bonds reported on City's debt schedule and paid by the School District.

SOURCE: Debt schedules for City of Gulfport, Harrison County and Gulfport School Districts.

TABLE X  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1994	6,224	5,510	714	518	644	1,162	0.61
1995	8,398	5,971	2,427	592	742	1,334	1.82
1996	9,653	6,561	3,092	658	771	1,429	2.16
1997	10,830	7,429	3,401	688	737	1,425	2.39
1998	11,194	9,564	1,630	351	291	642	2.54
1999	14,477	11,199	3,278	365	277	642	5.11
2000	15,396	13,778	1,618	379	1,257	1,636	0.99
2001	15,750	14,193	1,557	389	2,131	2,520	0.62
2002	18,309	15,344	2,965	719	2,831	3,550	0.84
2003	17,558	15,199	2,359	1,163	2,810	3,973	0.59

(1) Total revenues (including interest) excluding connection charges.

(2) Total operating expenses exclusive of depreciation and amortization.

(3) Includes revenue bonds and state revolving loans paid from the Water and Sewer Fund. It does not include general obligation revenue bonds recorded in the water and sewer fund.

SOURCE: Prior audit reports.

TABLE XI  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Estimated Population (1)</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (2)</u>
1994	68,100	17,187	6,362	6.70%
1995	69,120	18,328	6,147	7.80%
1996	70,310	19,644	6,127	6.00%
1997	71,363	20,285	6,287	4.00%
1998	71,363	21,828	6,400	3.90%
1999	71,127	19,007	6,339	3.30%
2000	71,127	19,166	6,263	3.60%
2001	71,500	17,899	6,281	4.40%
2002	72,000	18,155	6,202	4.20%
2003	74,000	25,074	6,018	4.00%

(1) City Planning Department estimates.

(2) Mississippi Employment Security Commission, information not available for all years.  
1999 and 2000 information provided by U.S. Census Bureau by Metropolitan  
area of Biloxi-Gulfport-Pascagoula, MS

(3) Gulfport School District.

TABLE XII  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI**  
**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**  
(Amounts Expressed in Thousands)

Fiscal Year	Actual Property Value (1)	Non-Residential Construction		Residential Construction		Bank Deposits (2)
		Number of Units	Value	Number of Units	Value	
1994	889,211	83	18,113	247	44,476	834,323
1995	1,375,972 (4)	109	44,010	235	36,475	823,950
1996	1,428,450	114	48,344	229	29,197	877,617
1997	1,502,749	86	65,018	279	103,771	954,806
1998	1,545,731	127	136,862	302	30,725	925,428
1999	1,572,624	144	67,754	431	45,163	979,193
2000	1,596,001	100	37,519	471	83,868	1,031,526
2001	2,422,164	109	29,080	278	41,054	1,012,830
2002	2,471,564	30	39,723	320	29,475	2,005,708
2003	2,528,450	37	17,871	297	33,867	2,128,681

- (1) Total real property value from Table 4.  
(2) Includes: Banks, Credit Unions and Savings and Loan Institutions.  
(3) Increase due to gaming industry.  
(4) Increase due to annexation.

SOURCE: City Planning Department monthly reports and Federal Deposit Insurance Corporation

TABLE XIII  
(Unaudited)

**CITY OF GULFPORT, MISSISSIPPI  
MISCELLANEOUS STATISTICS  
SEPTEMBER 30, 2003**

**GENERAL:**

Date of incorporation	1898
Form of government	Mayor/Council
Population estimate (2000 Census)	74,000
Area in square miles	62
Number of employees (excluding Police and Fire)	305

**FACILITIES AND SERVICES:**

Miles of streets	440
Number of street lights	10,323

**RECREATION:**

Community centers	6
Fitness Center	1
Recreation centers	3
Senior citizen center	1
Parks	31
Sportsplex	3
Park acreage	600
Ball fields	38
Tennis courts	7
Lighted walking tracks	6
Water front piers	5
Small craft harbor (40 acres)	289 slips
Public boat launch ramps	12

**FIRE PROTECTION:**

Number of stations	12
Number of fire personnel and officers	172
Number of calls answered	7,384
Number of inspections conducted	1,869
Current fire insurance rating	4

**POLICE PROTECTION:**

Number of stations	4
Number of full time sworn officers	200
Number of non sworn officers	92
Number of residents per sworn officer	370
Arrests	10,779
Traffic violations	24,095

**WATER SYSTEM:**

Miles of water mains	888
Number of service connections	24,100
Number of fire hydrants	3,080
Daily average consumption in gallons	11,900,000
Average gallons pumped per day	10,287,854
Storage capacity in gallons	6,412,000

**OTHER STATISTICS:**

Education (served by city school system):	
Enrollment 01-02 school year	6,018
Elementary schools	7
Middle schools	2
High schools	1
Alternative school (The Learning Center)	1
Community College	1
Median age of City population (1990)	31.4
Harrison County unemployment rate	4.00%
City of Gulfport unemployment rate	4.20%
State of Mississippi unemployment rate	5.60%

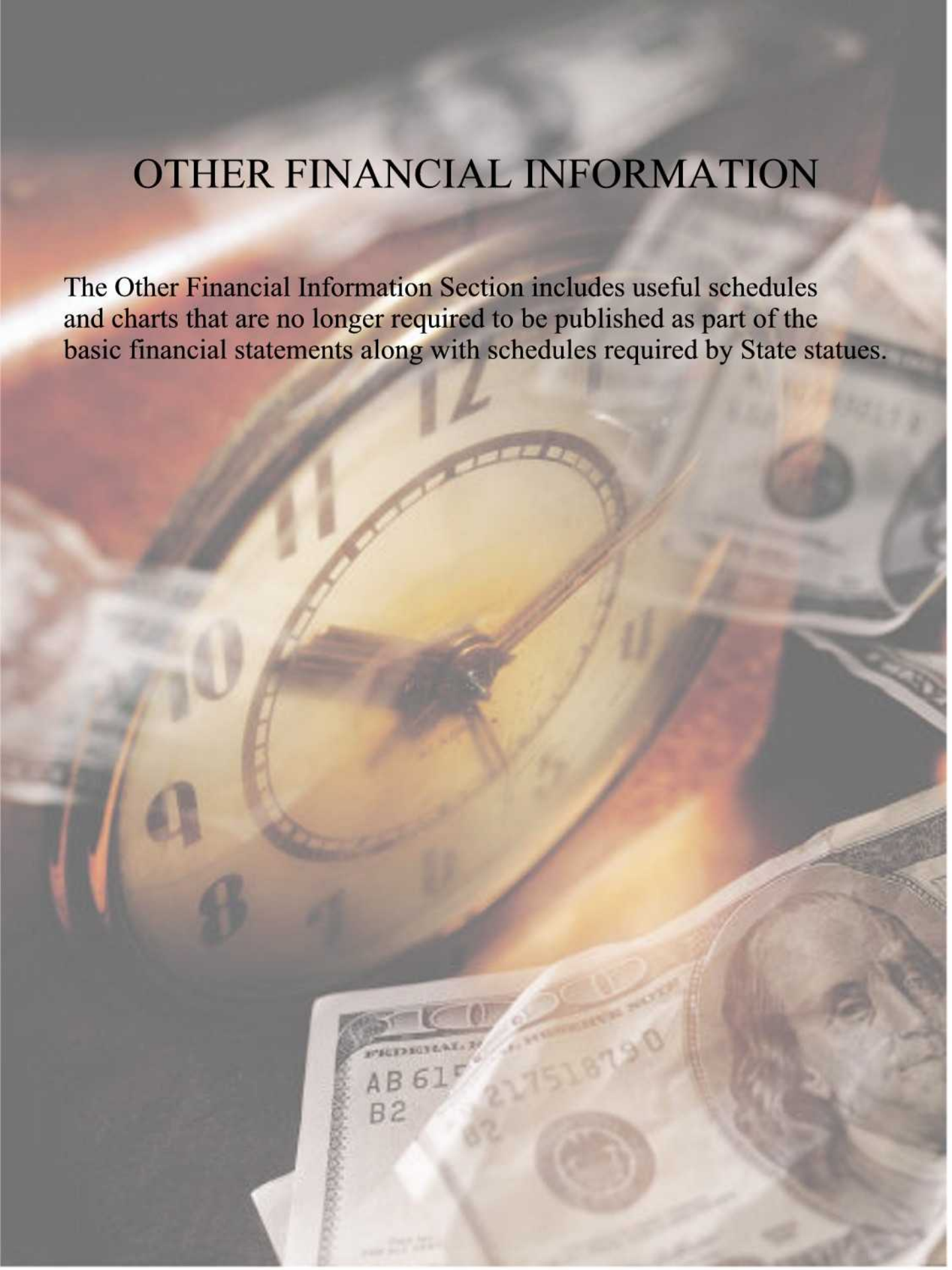


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# OTHER FINANCIAL INFORMATION

The Other Financial Information Section includes useful schedules and charts that are no longer required to be published as part of the basic financial statements along with schedules required by State statutes.





## General Fund

**Comparative Statements of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended September 30, 2003**

	2003			2002		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues</b>						
Taxes:						
Property	\$ 13,062,383	\$ 13,654,704	\$ 592,321	\$ 10,773,348	\$ 10,860,923	\$ 87,575
Sales	16,500,000	17,002,238	502,238	17,300,000	16,477,168	(822,832)
Franchise	2,500,000	2,832,711	332,711	2,300,000	2,771,117	471,117
Gaming	4,350,000	4,477,760	127,760	4,260,000	4,398,189	138,189
Licenses and permits	1,783,000	1,783,718	718	1,323,000	1,092,235	(230,765)
Intergovernmental	4,780,429	3,742,887	(1,037,542)	3,732,329	3,672,874	(59,455)
Charges for services	1,139,959	1,204,168	64,209	1,064,237	1,021,234	(43,003)
Fines and forfeits	2,700,000	1,965,229	(734,771)	2,400,000	1,937,707	(462,293)
Interest	101,291	124,752	23,461	401,291	183,222	(218,069)
Miscellaneous	962,740	777,177	(185,563)	113,540	287,892	174,352
Total revenues	<u>47,879,802</u>	<u>47,565,344</u>	<u>(314,458)</u>	<u>43,667,745</u>	<u>42,702,561</u>	<u>(965,184)</u>
<b>Expenditures</b>						
Current:						
General government						
Personnel services	3,735,969	3,534,729	201,240	3,513,036	4,309,432	(796,396)
Supplies	213,701	224,990	(11,289)	223,201	208,285	14,916
Other services	3,734,403	2,557,240	1,177,163	2,766,926	1,731,216	1,035,710
Capital outlay	673,380	426,406	246,974	1,337,919	705,674	632,245
Total	<u>8,357,453</u>	<u>6,743,365</u>	<u>1,614,088</u>	<u>7,841,082</u>	<u>6,954,607</u>	<u>886,475</u>
Police						
Personnel services	13,659,420	12,460,137	1,199,283	13,175,513	12,113,054	1,062,459
Supplies	1,590,434	1,511,172	79,262	1,621,714	1,390,364	231,350
Other services	1,906,011	1,444,544	461,467	1,792,461	1,445,807	346,654
Capital outlay	324,852	241,363	83,489	388,375	343,620	44,755
Total	<u>17,480,717</u>	<u>15,657,216</u>	<u>1,823,501</u>	<u>16,978,063</u>	<u>15,292,845</u>	<u>1,685,218</u>
Fire						
Personnel services	9,097,048	8,801,323	295,725	8,260,119	8,134,585	125,534
Supplies	424,763	413,623	11,140	311,354	306,149	5,205
Other services	282,849	269,728	13,121	273,038	244,758	28,280
Capital outlay	498,261	456,636	41,625	407,787	584,947	(177,160)
Total	<u>10,302,921</u>	<u>9,941,310</u>	<u>361,611</u>	<u>9,252,298</u>	<u>9,270,439</u>	<u>(18,141)</u>
Public Works						
Personnel services	1,682,967	1,605,588	77,379	1,613,254	1,477,550	135,704
Supplies	1,339,209	1,370,731	(31,522)	1,425,213	1,396,851	28,362
Other services	4,169,052	4,292,162	(123,110)	4,237,286	4,097,972	139,314
Capital outlay	447,285	636,225	(188,940)	296,116	55,037	241,079
Total	<u>7,638,513</u>	<u>7,904,706</u>	<u>(266,193)</u>	<u>7,571,869</u>	<u>7,027,410</u>	<u>544,459</u>
Economic Development						
Personnel services	1,155,283	1,113,784	41,499	1,108,239	51,500	1,056,739
Supplies	28,906	29,296	(390)	29,405	3,731	25,674
Other services	287,307	278,950	8,357	262,538	30,309	232,229
Capital outlay	30,653	30,643	10	32,564	-	32,564
Total	<u>1,502,149</u>	<u>1,452,673</u>	<u>49,476</u>	<u>1,432,746</u>	<u>85,540</u>	<u>1,347,206</u>

(Continued)

## General Fund

**Comparative Statements of Revenues and Expenditures and  
Changes in Fund Balances - Budget and Actual  
For Fiscal Year Ended September 30, 2003**

	2003			2002		
	Budget	Actual	Variance	Budget	Actual	Variance
Culture & Recreation						
Personnel services	3,228,691	3,066,375	162,316	3,163,258	2,950,816	212,442
Supplies	480,040	484,752	(4,712)	459,452	440,231	19,221
Other services	835,434	745,370	90,064	680,959	705,955	(24,996)
Capital outlay	77,210	74,290	2,920	185,624	80,098	105,526
Total	<u>4,621,375</u>	<u>4,370,787</u>	<u>250,588</u>	<u>4,489,293</u>	<u>4,177,100</u>	<u>312,193</u>
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>49,903,128</u>	<u>46,070,057</u>	<u>3,833,071</u>	<u>47,565,351</u>	<u>42,807,941</u>	<u>4,757,410</u>
Excess (deficit) of revenues over expenditures	<u>(2,023,326)</u>	<u>1,495,287</u>	<u>3,518,613</u>	<u>(3,897,606)</u>	<u>(105,380)</u>	<u>3,792,226</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	80,519	15,675	(64,844)	12,401	12,401	-
Transfers out	(195,450)	(195,450)	-	(1,847,138)	(1,607,138)	240,000
Loan proceeds	-	-	-	-	-	-
Sale of general fixed assets	-	36,902	36,902	-	61,708	61,708
Total other financing sources (uses)	<u>(114,931)</u>	<u>(142,873)</u>	<u>(27,942)</u>	<u>(1,834,737)</u>	<u>(1,533,029)</u>	<u>301,708</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(2,138,257)</u>	<u>1,352,414</u>	<u>3,490,671</u>	<u>(5,732,343)</u>	<u>(1,638,409)</u>	<u>4,093,934</u>
Fund balance - October 1	<u>11,631,160</u>	<u>11,631,160</u>	<u>-</u>	<u>13,269,569</u>	<u>13,269,569</u>	<u>-</u>
Fund balance - September 30	<u>\$ 9,492,903</u>	<u>\$ 12,983,574</u>	<u>\$ 3,490,671</u>	<u>\$ 7,537,226</u>	<u>\$ 11,631,160</u>	<u>\$ 4,093,934</u>

**City of Gulfport, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2003**

Department	Effective Date	Position	Number of Employees in each Position	Amount of Coverage on each Employee
General Finance	10/1/2003	Mayor	1	\$ 10,000
	10/1/2003	Council	7	100,000
	10/1/2003	Chief Administrative Officer	1	50,000
	10/1/2003	City Clerk	1	50,000
	10/1/2003	Deputy Clerk and Court Clerk	1	10,000
	10/1/2003	Comptroller	1	50,000
	10/1/2003	Senior Accountant	1	50,000
	10/1/2003	Accounting Clerk	1	10,000
	10/1/2003	Payroll Specialist	1	10,000
	10/1/2003	General Finance Manager	1	10,000
	10/1/2003	General Finance Clerks	4	10,000
	10/1/2003	Records Clerk	2	10,000
	10/1/2003	Court Administrator	1	50,000
	10/1/2003	Security, Runner	1	50,000
	10/1/2003	Notary Public	5	5,000
Urban Development	10/1/2003	Planning Director	1	10,000
	10/1/2003	Secretary	3	10,000
	10/1/2003	Inspector	3	10,000
	10/1/2003	Clerk	7	10,000
Police Department	10/1/2003	Notary Public	3	5,000
	10/1/2003	Chief of Police	1	50,000
	10/1/2003	Deputy Court Clerks	3	10,000
	10/1/2003	Admin. Officers	1	10,000
	10/1/2003	Court Bailiff Clerk	2	10,000
	10/1/2003	Records Clerk	1	10,000
	10/1/2003	Special Agent	1	10,000
	10/1/2003	K-9 Officer	1	10,000
	10/1/2003	Notary Public	42	5,000
	10/1/2003	Detectives	6	10,000
Department of Leisure Services	10/1/2003	Director	1	10,000
	10/1/2003	Center Coordinators	9	10,000
	10/1/2003	Secretary	2	10,000
	10/1/2003	Joseph T. Jones, Harbormaster	1	10,000
	10/1/2003	Assistant Harbormasters	4	10,000
	10/1/2003	Accounting Clerk	1	10,000
	10/1/2003	Clerk	1	10,000
Water Department	10/1/2003	Collector	1	10,000
Engineering	10/1/2003	Notary Public	1	5,000
	10/1/2003	Secretary	1	10,000

**City of Gulfport, Mississippi**  
**Schedule of General Long-term Debt**  
**September 30, 2003**

	Date of Original Issue	Interest Rate	Bonds-Notes Outstanding 10/1/2002	New Issues FYE 2003
<b>General obligation bonds</b>				
Public Improvement 1993	3/1/1993	5.16%	10,090,000	-
Public Improvement Refunding 1995	9/12/1995	3.9-5.55%	1,210,000	-
Public Improvement 1996	8/1/1996	4.75-6.6%	7,245,000	-
Public Improvement 1998	7/1/1998	4.4-6.6%	5,260,000	-
Airport 2000	5/1/2000	5.20%	845,000	-
Public Improvement 02 Refunding	12/1/2002	2.0-5.0%	-	9,580,000
Public Improvement 2003	4/1/2003	3.94%	-	5,000,000
			<u>24,650,000</u>	<u>14,580,000</u>
<b>School District G.O. bonds</b>				
Gulfport School District '85	9/10/1985	8.0-11.0%	<u>1,210,000</u>	<u>-</u>
<b>Bank and agency notes</b>				
MS CAP Loans	8/4/1997	3.70%	661,010	-
MS CAP Loans	8/4/1997	3.70%	304,387	-
Whitney Bank	11/6/1998	4.10%	144,200	-
MS Development Bank	12/1/2000	% of prime	6,191,667	728,359
MS Development Bank	3/6/2001	% of prime	<u>-</u>	<u>351,420</u>
			<u>7,301,264</u>	<u>1,079,779</u>
<b>Obligations under capital leases</b>				
Coast Community Bank - Signage	9/4/2001	3.596%	480,000	-
Hancock Bank - computer	5/22/2000	5.29%	<u>700,000</u>	<u>-</u>
			<u>1,180,000</u>	<u>-</u>
			<u>\$ 34,341,264</u>	<u>\$ 15,659,779</u>

Paid in FYE 2003	Bonds-Notes Outstanding 9/30/2003	Interest Paid FYE 2003	Original Bonded Debt	Maturities FYE 9/30/04		
				Principal	Interest	Total
10,090,000	-	16,735	14,455,000	-	-	-
175,000	1,035,000	63,368	1,895,000	190,000	54,793	244,793
350,000	6,895,000	385,821	8,500,000	370,000	362,721	732,721
215,000	5,045,000	259,665	6,000,000	240,000	246,765	486,765
85,000	760,000	43,940	1,000,000	90,000	39,520	129,520
135,000	9,445,000	299,417	9,580,000	755,000	364,563	1,119,563
-	5,000,000	-	5,000,000	160,000	192,255	352,255
<u>11,050,000</u>	<u>28,180,000</u>	<u>1,068,946</u>	<u>46,430,000</u>	<u>1,805,000</u>	<u>1,260,617</u>	<u>3,065,617</u>
<u>365,000</u>	<u>845,000</u>	<u>105,875</u>	<u>4,380,000</u>	<u>400,000</u>	<u>73,938</u>	<u>473,938</u>
56,772	604,238	23,492	922,903	58,908	21,356	80,264
26,143	278,244	10,818	425,000	27,127	9,834	36,961
70,300	73,900	225	336,000	73,900	3,030	76,930
332,494	6,587,532	147,908	7,500,000	356,418	140,301	496,719
2,929	348,491	493	2,500,000	17,571	7,251	24,822
<u>488,638</u>	<u>7,892,405</u>	<u>182,936</u>	<u>11,683,903</u>	<u>533,924</u>	<u>181,772</u>	<u>715,696</u>
120,000	360,000	17,261	600,000	120,000	12,946	132,946
200,000	500,000	-	1,100,000	250,000	50,000	300,000
<u>320,000</u>	<u>860,000</u>	<u>17,261</u>	<u>1,700,000</u>	<u>370,000</u>	<u>62,946</u>	<u>432,946</u>
<u>\$ 12,223,638</u>	<u>\$ 37,777,405</u>	<u>\$ 1,375,018</u>	<u>\$ 64,193,903</u>	<u>\$ 3,108,924</u>	<u>\$ 1,579,273</u>	<u>\$ 4,688,197</u>

**City of Gulfport, Mississippi**  
**Schedule of Enterprise Bonds and Notes**  
**September 03, 2003**

	Date of Original Issue	Interest Rate	Bonds-Notes Outstanding 10/1/2002	New Issues FYE 2003
<b>Enterprise bonds</b>				
Water & Sewer G.O. Series 1996 Bonds	12/1/1996	4.875-6.25%	\$ 5,100,000	\$ -
Water & Sewer G.O. Refunding Bonds Series 1998	8/1/1998	4.75%	5,065,000	-
Water & Sewer Revenue Series 1998 Bonds	12/1/1999	4.4-6.0%	33,100,000	-
Water & Sewer Revenue Series 2002 Bonds	4/23/2002	3.0-5.25%	15,000,000	-
Total Bonds			<u>58,265,000</u>	<u>-</u>
<b>Enterprise notes</b>				
State Revolving Loan #1	4/1/1992	3.00%	769,435	-
State Revolving Loan #2	10/1/1991	4.00%	1,928,698	-
State Revolving Loan #3	10/15/1993	4.00%	1,940,338	-
State Revolving Loan #4	4/2/1994	4.50%	1,028,111	-
State Revolving Loan #5	5/30/2002	1.75%	5,000	192,950
State Revolving Loan #6	5/30/2003	1.75%	-	5,000
State Revolving Loan #7	7/1/2002	1.75%	5,000	347,552
State Revolving Loan #8	9/10/2003	1.75%	-	19,962
State Revolving Loan #9	5/5/2003	1.75%	-	5,000
MS Development Bank	5/27/1999	% of prime	-	371,641
MS Development Bank	3/6/2001	% of prime	-	48,580
Total Notes			<u>5,676,582</u>	<u>990,685</u>
Total Bonds and Notes			<u>\$ 63,941,582</u>	<u>\$ 990,685</u>



Paid in FYE 2003	Bonds-Notes Outstanding 9/30/2003	Interest Paid FYE 2003	Original Bonded Debt	Maturities FYE 9/30/04		
				Principal	Interest	Total
\$ 240,000	\$ 4,860,000	\$ 267,078	\$ 6,000,000	\$ 240,000	\$ 252,078	\$ 492,078
520,000	4,545,000	241,010	6,440,000	545,000	215,010	760,010
300,000	32,800,000	1,874,369	33,300,000	350,000	1,860,869	2,210,869
-	15,000,000	740,356	15,000,000	355,000	740,356	1,095,356
<u>1,060,000</u>	<u>57,205,000</u>	<u>3,122,813</u>	<u>60,740,000</u>	<u>1,490,000</u>	<u>3,068,313</u>	<u>4,558,313</u>
74,042	695,393	22,070	1,422,072	76,294	19,818	96,112
147,966	1,780,732	74,455	3,016,718	153,995	68,426	222,421
133,212	1,807,126	75,189	2,818,618	138,639	69,762	208,401
63,814	964,297	44,959	1,417,932	66,746	42,028	108,774
-	197,950	-	2,618,140	1,401	576	1,977
-	5,000	-	5,349,920	-	-	-
-	352,552	-	3,377,050	-	-	-
-	19,962	-	10,040,400	-	-	-
-	5,000	-	3,400,000	-	-	-
10,840	360,801	4,560	371,641	18,582	7,504	26,086
405	48,175	172	48,580	2,429	1,002	3,431
<u>430,279</u>	<u>6,236,988</u>	<u>221,405</u>	<u>33,881,071</u>	<u>458,086</u>	<u>209,116</u>	<u>667,202</u>
<u>\$ 1,490,279</u>	<u>\$ 63,441,988</u>	<u>\$ 3,344,218</u>	<u>\$ 94,621,071</u>	<u>\$ 1,948,086</u>	<u>\$ 3,277,429</u>	<u>\$ 5,225,515</u>

**City of Gulfport, Mississippi**  
**Computation of Legal Debt Margin**  
**September 30, 2003**

Authorized Debt Limit 15 Percent Rule

2002 Tax roll	\$ 597,852,527	@ 15%	\$ 89,677,879
Bonded indebtedness			86,230,000
Less: Assets available in debt service fund available for principal payment			(2,872,165)
Less: Authorized exemptions			
School District General Obligation Bonds	845,000		
Water & Sewer G.O. Bonds	9,405,000		
Water & Sewer Revenue Bonds	47,800,000	(58,050,000)	
Present debt subject to 15% limit			<u>25,307,835</u>
Margin for further debt under 15% limit			<u><u>\$ 64,370,044</u></u>

Section 21-33-303 of Mississippi Code of Ordinances 1972 Annotated-Limitation of indebtedness as amended  
April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1996.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1994, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes or to contract obligations in any form heretofore or hereafter incurred by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

**City of Gulfport, Mississippi**  
**Computation of Legal Debt Margin (Continued)**  
**September 30, 2003**

Authorized Debt Limit 20 Percent Rule

2002 Tax roll	\$ 597,852,527	@ 20%	\$ 119,570,505
Bonded indebtedness (floating debt - \$6,969,621)			90,971,582
Less: Assets available in debt service			
fund available for principal payment			(2,872,165)
Less: Authorized exemptions			
School District General			
Obligation Bonds	845,000		
Water & Sewer G.O. Bonds	9,405,000		
Water & Sewer Revenue Bonds	47,800,000	(58,050,000)	
Present debt subject to 20% limit			<u>30,049,417</u>
Margin for further debt under 20% limit			<u><u>\$ 89,521,088</u></u>



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